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DOMINION BUREAU OF STATISTICS

MERCHANDISING AND SERVICES SECTION

OTTAWA, CANADA

OPERATING RESULTS

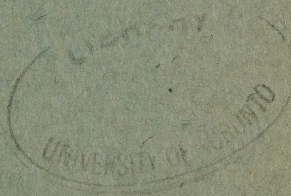
OF

MISCELLANEOUS

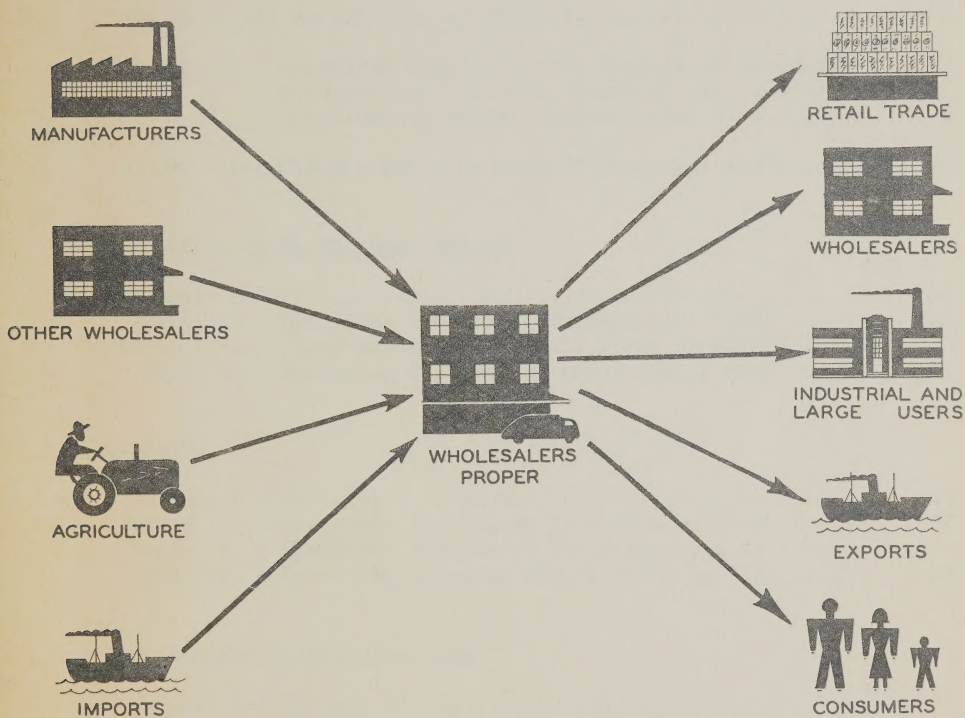
WHOLESALE

1947


DEPT. OF
POLITICAL ECONOMY



OPERATING RESULTS OF WHOLESALESA



WHOLESALESA OF
AUTOMOTIVE SUPPLIES
HARDWARE
HEATING AND PLUMBING SUPPLIES
DRUGS



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FACSIMILE OF THE SCHEDULE

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File no.



DOMINION BUREAU OF STATISTICS MERCHANDISING AND SERVICES OTTAWA

OPERATING COSTS IN WHOLESALE TRADE

1947

The returns from this inquiry will be used in the preparation of a report which will be published for the general use of the trade, describing average operating results and profits against which the individual firm may compare its own results.

All replies will be treated as strictly confidential. Figures for all firms in the same line of business will be combined and average results only will be shown. Your report will not be used for income tax purposes or divulged to any other government department.

All figures should relate to the calendar year or to the fiscal year conforming most closely to the calendar year. PLEASE answer all questions.

I. DESCRIPTION OF BUSINESS

- (1) Name of firm is
- (2) Address of firm is
- (3) This business sold the following commodities, in order of importance by volume. Insert sales percentage of each. Example, groceries 60%, fruit 20%, tobacco 10%, confectionery 10%.
 - (a)%
 - (b)%
 - (c)%
 - (d)%
 - (e)%
 - (f)%
- (4) This business was conducted by - (Estimate percentage of each type)
 - (a) Wholesale merchant (performing functions of warehousing and delivery)%
 - (b) Agent and/or broker%
 - (c) Other - (specify)
- (5) This business was a corporation ☐, partnership ☐, individual proprietorship ☐.
- (6) The sales of this firm were distributed to - (give estimated percentage if amounts are not known)
 - (a) Retail stores%
 - (b) Voluntary groups%
 - (c) Other wholesalers%
 - (d) Industrial and other large users%
 - (e) Consumers (at retail)%
 - (f) Other - (specify)%
- (7) This business was a single establishment ☐, a multiple organization ☐.
If single, please complete numbers 8 and 9; if multiple complete number 10.
- (8) We processed% of the merchandise sold. (Give approximate percentage)
- (9) The amount of floor space used in 1947 wassq.ft. The number of floors used was
- (10) This business is a multiple organization with head office and branches as follow:

| Address | 1947 Sales \$ | Floor space | | Percentage goods processed % |
|-------------------|------------------|-------------|---------|---------------------------------------|
| | | No. floors | Sq. ft. | |
| Head Office | | | | |
| 1. | | | | |
| 2. | | | | |
| 3. | | | | |
| 4. | | | | |
| 5. | | | | |
| 6. | | | | |
| 7. | | | | |
| 8. | | | | |
| 9. | | | | |

If more branches, please attach supplementary list.

II. PROFIT AND LOSS STATEMENT, 1947:

A.

MERCHANDISING STATEMENT

- (1) Net sales - gross sales less returns, allowances, and trade discounts
- (2) Inventory of merchandise for resale, at beginning of year
- (3) Merchandise purchased for resale - invoice value plus duty,
inward freight and truckage; less returns, allowances,
and trade discounts
- (4) Total of beginning inventory and net purchases (item 2 plus 3)
- (5) Inventory of merchandise for resale, at end of year
- (6) Net cost of goods sold, (item 4 minus item 5)
- (7) Gross margin or profit (item 1 minus item 6)

B.

SELLING EXPENSES:

EXPENSE STATEMENT

- (1) Salaries, commissions, and bonuses paid to sales force
 - (2) Travelling expenses of salesmen (inc. sales manager)
 - (3) Advertising (catalog, display, newspaper, radio, magazine)
 - (4) Other selling expenses
 - (5) Total selling expenses (total of items 1 to 4)
- WAREHOUSE AND DELIVERY EXPENSES:
- (6) Salaries and wages paid to shipping and receiving staff, truck drivers, etc.
 - (7) Maintenance of delivery trucks (gas, oil, repairs, depreciation, insurance, etc.)
 - (8) Outward freight, express, parcel post, and contract hauling
 - (9) Warehouse supplies (such as paper, twine, packaging materials)
 - (10) Other warehouse and delivery expense
 - (11) Total warehouse and delivery expense (total of items 6 to 10)

GENERAL AND ADMINISTRATIVE EXPENSES:

- (12) Administrative and office salaries (if unincorporated, include proprietors).....
- (13) Employees' benefits paid by firm (pension fund, unemployment insurance,
hospitalization, workmen's compensation or other staff benefits)
- (14) Occupancy expense - for premises used in the business (taxes, insurance, repairs,
depreciation allowances, and interest (a) on owned real estate and/or
rentals paid for rented premises
- (15) Light, heat, power, and water
- (16) Taxes other than on real estate and excluding income and sales taxes
- (17) Insurance other than on real estate
- (18) Office supplies
- (19) Postage, telephone, telegraph
- (20) Cash discounts allowed to customers
- (21) Loss on bad debts - amount written off during the year
- less amount recovered
- (22) All other expenses
- (23) Total general and administrative expenses (total of items 12 to 22)
- (24) TOTAL OPERATING EXPENSES (add items 5, 11, and 23)
- (25) OPERATING PROFIT (item IIA(7) minus item 11B(24))

C.

NET GAIN STATEMENT

- (26) Other trading income (b) - such as discounts taken on purchases, interest earned.
- (27) Income tax or provision made, 1947
- (28) NET PROFIT OR LOSS (item 25 plus item 26 minus item 27)

For notes on (a) and (b) see next page.

IN THIS SERIES.....

OPERATING RESULTS OF RETAIL CHAIN STORES (1947)

1. Food chains
2. Clothing chains
3. Miscellaneous chains

OPERATING RESULTS OF INDEPENDENT RETAIL STORES (1944, 1945, 1946)

1. Food stores
2. Clothing stores
3. Country general and dry goods stores
4. Hardware, furniture, household appliances
and radio stores
5. Miscellaneous stores
6. Filling stations and garages

OPERATING RESULTS OF WHOLESALERS (1947)

1. Food and tobacco
2. Dry goods, piece goods, footwear
3. Miscellaneous wholesalers

Price 25¢ each.

Merchandising and Services Section
Dominion Bureau of Statistics

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Ottawa.

DOMINION BUREAU OF STATISTICS
MERCHANDISING AND SERVICES SECTION
OTTAWA

Dominion Statistician: HERBERT MARSHALL
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Chief, Merchandising and Services Section: C.H. McDonald

Series, 1947
No. 19

16-7082

OPERATING RESULTS OF MISCELLANEOUS WHOLESALEERS 1947

Content of the Bulletin

This publication contains the results of a survey on the operations of wholesalers of automotive parts and accessories, hardware, heating and plumbing supplies and drugs. No previous survey into the operating costs of these wholesale trades has been made by the Bureau.

Two other bulletins in the 1947 wholesale operations series cover the following trades:- dry goods, piece goods and footwear; groceries, fruits and vegetables, tobacco and confectionery.

Purpose of the Survey

The costs of distribution, and the allocation of these costs has become the focus of attention of merchants, the general public and government in recent years. While distribution expenses are by no means confined to middlemen and retailers, the approach to the problem of assessing these costs must be made through these types of business organization. The Bureau has carried on extensive studies into the operating expenses of independent retailers, first for the year 1938, and again for 1944, 1945 and 1946.

As a result of requests from the trade, from individuals and from trade associations, it became apparent that the remaining distributive agencies should be surveyed for operating costs. The result has been studies on the operations of retail chains and wholesalers proper covering the year 1947.

What is Distribution?

The three major channels of distribution -- independent retail firms, chain store firms and wholesalers -- leave untouched much of the field of distribution costs.

The conversion of goods from raw materials to finished products, and the placing of commodities before consumers involves the processes of production and distribution. The distinction between the two terms as made by economics seems quite clear cut. Production involves the addition of physical or form utilities to goods, by means of such acts as processing, fabrication, and transformation. Distribution, on the other hand, involves the addition of time and place utilities to goods, by such means as transportation, storage, merchandising, display, advertising, expenses of carrying stocks (spoilage, shrinkage), losses from bad debts and financing.

It becomes evident from the consideration of this distinction that distribution costs are not limited to the handling of finished consumers' goods, and that a large part of such expense is borne by primary producers and manufacturers during the early stages of fabrication or processing of commodities. The transportation of raw materials, expenses of storage while awaiting processing, financing of inventories, are all distribution costs incurred before the end-product is ready for the ultimate consumer.

While the producer and processor assume some of the costs of distribution, the retailer and wholesaler may take on certain productive functions. Wholesalers may package and repack commodities while certain retailers such as clothiers finish off semi-ready garments or make alterations on finished clothing.

Although the distinction between production and distribution is a useful one, and serves to separate major functions, there are costs which are not clearly one or the other. Some of these difficult to allocate are insurance, financing, taxes, service department costs, and executive salaries. The list is not exhaustive, but where it is impossible to make a clear-cut division of functions, costs are often apportioned on a pro-rata basis, decided upon by the relative expense ratios of more easily allocated functions, such as selling salaries, store occupancy expense, advertising etc.

Distribution costs, therefore, are not limited to middlemen or retailers but are a part of the interlocking distribution-production system which prepares finished goods and places them before the consumer. The practical distinction between distribution and production is made, however, by dividing industry into units which perform chiefly either **productive or** distributive functions.

Major distributive agencies may be classified as follows:

Wholesalers or the Intermediary Trade

Wholesalers proper
Manufactures' sales branches or
offices
Petroleum bulk tank stations
Agents and Brokers
Assemblers of primary products
Other types of operation

Retailers

Independent Retailers
Independent Consumer Co-operatives
Chains - Voluntary chains
Chains under central ownership
and control
Retail co-operative chains.

Relative importance of wholesalers proper to total whole-sale trade is shown below.

Wholesale Trade - 1941 Census

| <u>Type of Operation</u> | <u>Per cent of Total Sales</u> | |
|-----------------------------------|------------------------------------|-------------------|
| Wholesalers proper | 44.6 | |
| Manufacturers sales branches | 22.8 | Source: |
| Petroleum bulk tank stations | 4.1 | 1941 Census |
| Agents and brokers | 17.2 | Vol. XI, Table 1, |
| Assemblers of primary products .. | 8.5 | P. XXXI |
| Other types of operation | 2.8 | |
| | <u>100.0</u> | |

The ten trades surveyed accounted for 35 per cent of the sales of all wholesalers proper in 1941.

The Schedule

In order that the form be designed in such a way that it could be filled out with a minimum of effort from existing accounting records, a sample questionnaire was drawn up and despatched to all known firms in the trades surveyed. An accompanying letter requested that the companies make suggestions which would make the items clear and readily understood throughout the trade. The recommendations received were invaluable in the design of the final form.

A facsimile of the main portion of this final schedule is presented on pages 2 and 3 to help clarify meanings of terms.

Methods

The ten trades in the survey were selected for their importance in the field of wholesale distribution of consumer goods to retailers. Other trades of considerable weight were omitted because their sales were made largely to industrial users of lumber and building materials, chemicals, machinery and equipment, etc. As far as possible the wholesalers canvassed were those performing the functions of warehousing and delivery.

Wholesalers proper may be briefly defined as wholesale establishments buying and selling goods on their own account. From this group those types not actually handling the merchandise - drop shippers and desk jobbers - were omitted.

When reports were received, some could not be used for such reasons as manufacturing activities, partial brokerage or agency business, for which expenses could not be separated from the functions of a warehousing and delivery wholesaler. Mixture of commodities not typical of the trade and unrelated as to cost of handling eliminated other returns from tabulation. Where the number of reports was sufficient, the results were tabulated according to the most suitable sales-size range. The salaries of proprietors and partners were included with administrative salaries. Income tax tabulation was made only for incorporated firms.

As with all surveys conducted by the Dominion Bureau of Statistics, only average results are shown and all information submitted by the co-operating firms has been kept in strictest confidence.

RESULTS OF THE SURVEY.....

The four trades contained in this bulletin are not allied trades, yet some comparison may be made between the three durable goods types. Drug wholesalers operated on smaller profits than the other types.

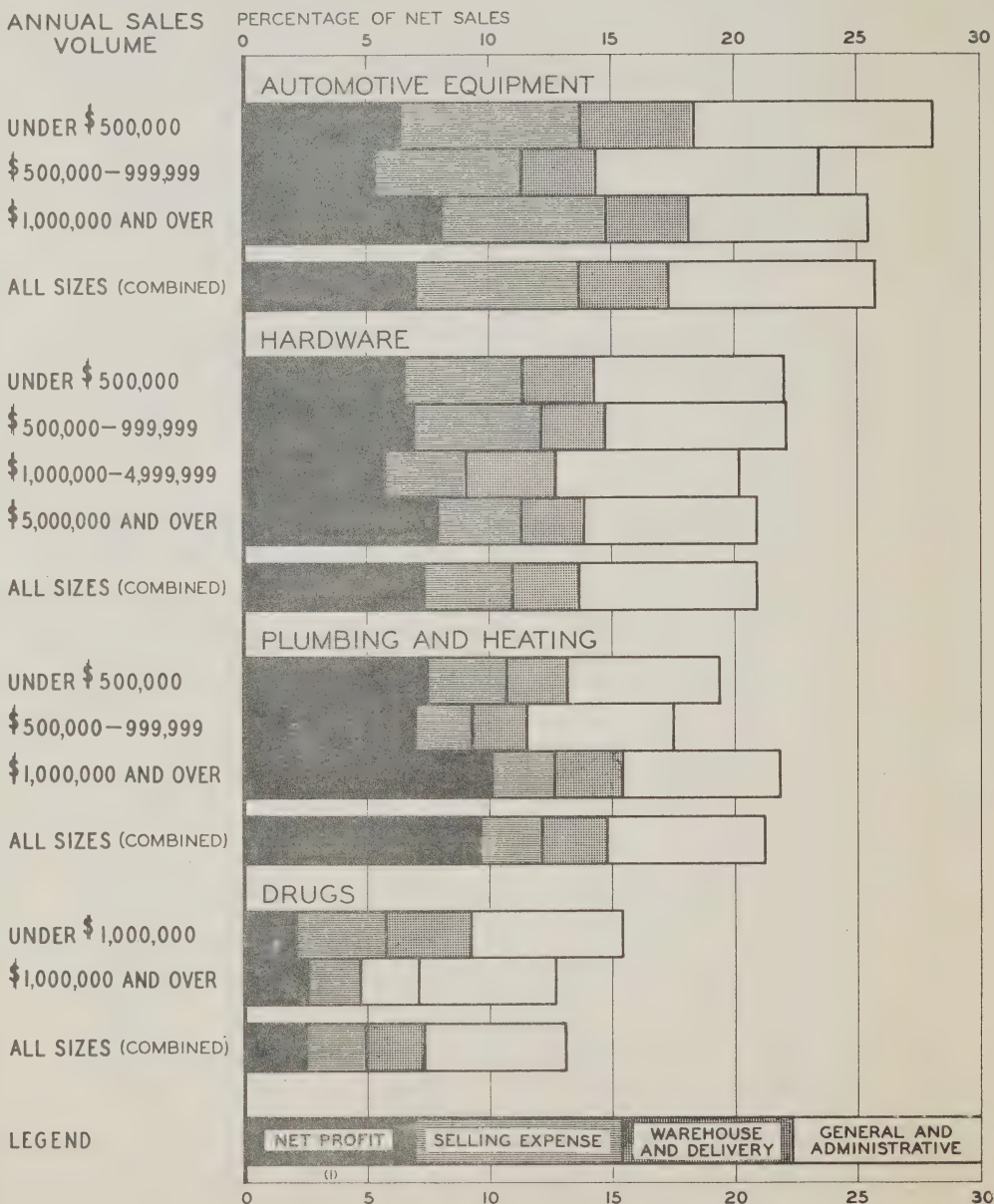
Of the three durable goods trades wholesalers of automotive parts and accessories obtained the greatest gross profit - 24.48 per cent of net sales - but due to higher operating expenses, particularly in selling, they netted the smallest profit before income tax deduction (6.95 per cent). Wholesalers of plumbing and heating supplies obtained the greatest ratio of net profit of all wholesale trades surveyed in this operating cost study (9.63 per cent). Hardware and automotive supplies wholesalers were third and fourth respectively.

The rate of stock turnover was more rapid in wholesalers of plumbing and heating supplies and they also transacted more business on credit than did wholesalers of automotive parts and accessories and hardware. These and other comparable features in the operations of these 'miscellaneous' wholesalers are presented in table 1.

Table 1. OPERATING RESULTS OF WHOLESALERS OF AUTOMOTIVE SUPPLIES, HARDWARE, HEATING AND PLUMBING SUPPLIES AND DRUGS, 1947

| Item | Automotive Supplies | Hardware | Plumbing and Heating | Drugs |
|---|-------------------------|-----------|----------------------------|-----------|
| Number of firms | 68 | 46 | 34 | 17 |
| Average sales per firm \$ | 565,201 | 2,844,283 | 1,865,411 | 1,708,415 |
| Stock turnover (times per year). | 5.4 | 4.0 | 6.3 | 5.1 |
| | (Per cent of net sales) | | | |
| Gross profit | 24.48 | 20.14 | 20.45 | 12.77 |
| Operating Expenses: | | | | |
| Selling | 6.76 | 3.56 | 2.51 | 2.44 |
| Warehouse and delivery | 3.61 | 2.82 | 2.74 | 2.42 |
| General and administrative ... | 8.37 | 7.15 | 6.34 | 5.76 |
| Total operating expenses | 18.74 | 13.53 | 11.59 | 10.62 |
| Net operating profit | 5.74 | 6.61 | 8.86 | 2.15 |
| Other trading income | 1.21 | 0.73 | 0.77 | 0.31 |
| Total net profit before income tax deduction | 6.95 | 7.34 | 9.63 | 2.46 |
| Credit sales % of total | 91.18 | 94.93 | 96.26 | 96.77 |
| Accounts outstanding % of credit sales | 11.22 | 10.00 | 12.28 | 6.79 |

OPERATING RESULTS OF MISCELLANEOUS WHOLESALERS 1947



AUTOMOTIVE PARTS AND ACCESSORIES.....

Sixty-eight firms in this classification returned satisfactory reports. While the firms covered in this study were those classed as wholesalers of automotive parts and accessories, certain other items were sold by some of the firms such as tires and tubes, garage and service station equipment, and a small amount of electrical appliances. These were handled in minor quantities and should have little effect on the operating ratios presented in this report. Basic information for the 68 firms, divided into three sales-size groups, is given below.

GENERAL INFORMATION ON REPORTING FIRMS

| Item | Annual Net Sales | | | |
|-----------------------------------|--------------------|------------------------------|-------------------------|--------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | Total all sizes |
| Number of firms | 44 | 14 | 10 | 68 |
| Incorporated companies | 22 | 12 | 10 | 44 |
| Single establishments | 39 | 9 | 6 | 54 |
| Sales distribution to: | | | | |
| Garages and filling stations .. % | 63.15 | 47.63 | 82.44 | 69.15 |
| Other wholesalers | 19.26 | 44.05 | 2.24 | 16.51 |
| Industry and other large users. % | 13.02 | 7.07 | 7.42 | 8.88 |
| Other (inc. retail sales) | 4.57 | 1.25 | 7.90 | 5.46 |

Summary points in the operations of these firms in 1947 include the following:

1. Out of every \$100 net sales, the average firm paid out \$75.52 as cost of goods and \$18.74 for operating expenses. This left a profit on operations of \$5.74 to which other income added \$1.21 to make a total net profit before deduction of income tax of \$6.95. The largest size group obtained the greatest net profit - \$8.07. (Table 3.)
2. In 1947, wholesalers of automotive parts and accessories sold and replaced their stock on an average of 5.4 times per year. Inventories on hand were greater in dollar volume at the end of the year than at the beginning in all size classes. Ninety-one per cent of sales were made on credit and 11.22 per cent of these credit sales was outstanding at the end of the year. (Table 3.)

3. The largest item of expense in operating this kind of business was salaries paid to salesmen at 4.66 per cent of net sales. Administrative and warehouse salaries were next largest and together all salaries and wages formed 61 per cent of all expenses or 11.37 per cent of net sales. (Table 4.)
4. Firms of the incorporated type of organization held a slight advantage in gross and net profit over the all firm average. To a net operating profit of 6.04 per cent of net sales these businesses added other income of 1.26 per cent and paid income tax of 3.24 per cent to net a final profit of 4.06 per cent of net sales. The main profit ratios of these firms by size are set out in table 2.

Table 2. OPERATING RESULTS OF INCORPORATED AUTOMOTIVE ACCESSORIES
WHOLESALEERS, 1947

| By Size of Firm | | | | |
|---|-------------------------|------------------------------|-------------------------|--------------------|
| Item | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | Total all sizes |
| | (Per cent of net sales) | | | |
| Gross profit | 29.01 | 22.54 | 24.11 | 24.61 |
| Total operating expenses | 22.85 | 18.03 | 17.42 | 18.57 |
| Net operating profit | 6.16 | 4.51 | 6.69 | 6.04 |
| Other trading income | 0.94 | 1.20 | 1.38 | 1.26 |
| Total net profit before income tax deduction | 7.10 | 5.71 | 8.07 | 7.30 |
| Income tax | 3.01 | 2.52 | 3.63 | 3.24 |
| Final net profit | 4.09 | 3.19 | 4.44 | 4.06 |

Table 3. - OPERATING RESULTS OF AUTOMOTIVE ACCESSORIES WHOLESALERS, 1947

| Item | By Size of Firm | | | |
|---|--------------------|------------------------------|-------------------------|--------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | Total all sizes |
| Number of firms | 44 | 14 | 10 | 68 |
| Average net sales per firm \$ | 231,770 | 680,779 | 1,870,489 | 565,201 |
| Average cost of goods sold \$ | 168,878 | 528,358 | 1,419,599 | 426,818 |
| Stock turnover (times per year) | 4.7 | 6.4 | 5.4 | 5.4 |
| Average beginning inventory \$ | 30,481 | 71,570 | 215,397 | 66,134 |
| Per cent of net sales | 13.15 | 10.51 | 11.52 | 11.70 |
| Average ending inventory \$ | 41,682 | 92,794 | 314,287 | 92,294 |
| Per cent of net sales | 17.98 | 13.63 | 16.80 | 16.33 |
| PROFIT AND LOSS DATA | | | | |
| (Per cent of net sales) | | | | |
| Gross profit | 27.14 | 22.39 | 24.11 | 24.48 |
| Operating Expenses: | | | | |
| Selling | 7.40 | 5.98 | 6.80 | 6.76 |
| Warehouse and delivery | 4.64 | 3.10 | 3.31 | 3.61 |
| General and administrative | 9.64 | 9.12 | 7.31 | 8.37 |
| Total operating expenses | 21.68 | 18.20 | 17.42 | 18.74 |
| Net operating profit | 5.46 | 4.19 | 6.69 | 5.74 |
| Other trading income | 0.93 | 1.16 | 1.38 | 1.21 |
| Total net profit before income tax deduction | 6.39 | 5.35 | 8.07 | 6.95 |
| MISCELLANEOUS DATA | | | | |
| Credit sales: | | | | |
| Average per firm \$ | 203,726 | 632,171 | 1,726,648 | 515,350 |
| Per cent of total sales | 87.90 | 92.86 | 92.31 | 91.18 |
| Accounts outstanding: | | | | |
| Average per firm \$ | 23,673 | 70,930 | 189,413 | 57,822 |
| Per cent of credit sales | 11.62 | 11.22 | 10.97 | 11.22 |
| Sales per 1,000 sq. ft. floor space. \$ | 33,314 | 75,844 | 85,270 | 59,810 |

Table 4. -- OPERATING EXPENSES OF AUTOMOTIVE ACCESSORIES WHOLESALERS, 1947

| By Size of Firm | | | | |
|--|--------------------|------------------------------|-------------------------|--------------------|
| Item | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | Total all sizes |
| (Per cent of net sales) | | | | |
| Gross profit | 27.14 | 22.39 | 24.11 | 24.48 |
| Operating Expenses: | | | | |
| <u>Selling expense</u> | | | | |
| Salaries | 5.15 | 3.73 | 4.87 | 4.66 |
| Travelling | 1.28 | 1.29 | 0.69 | 1.00 |
| Advertising | 0.57 | 0.44 | 0.85 | 0.67 |
| Other selling expenses | 0.40 | 0.52 | 0.39 | 0.43 |
| Total selling expenses | 7.40 | 5.98 | 6.80 | 6.76 |
| <u>Warehouse and Delivery Expense:</u> | | | | |
| Salaries and wages | 3.30 | 2.34 | 2.63 | 2.73 |
| Maintenance of delivery equipment. | 0.53 | 0.14 | 0.21 | 0.28 |
| Outward freight, contract delivery. | 0.37 | 0.30 | 0.18 | 0.26 |
| Warehouse supplies | 0.30 | 0.13 | 0.18 | 0.20 |
| Other warehouse and delivery expense | 0.14 | 0.19 | 0.11 | 0.14 |
| Total warehouse and delivery expense | 4.64 | 3.10 | 3.31 | 3.61 |
| <u>General and Administrative Expense:</u> | | | | |
| Salaries | 4.75 | 4.62 | 3.24 | 3.98 |
| Employees' benefits | 0.21 | 0.22 | 0.30 | 0.26 |
| Occupancy | 1.09 | 0.87 | 0.91 | 0.95 |
| Light, heat, and power | 0.33 | 0.20 | 0.16 | 0.21 |
| Taxes (1) | 0.13 | 0.09 | 0.10 | 0.11 |
| Insurance (1) | 0.26 | 0.24 | 0.14 | 0.20 |
| Office supplies | 0.42 | 0.30 | 0.33 | 0.34 |
| Postage, telegraph, telephone | 0.50 | 0.49 | 0.38 | 0.44 |
| Cash discounts allowed | 0.57 | 0.87 | 0.26 | 0.49 |
| Bad debts - amount allowed or written off | 0.41 | 0.22 | 0.32 | 0.32 |
| (Less) Amount recovered | 0.07 | 0.04 | 0.14 | 0.10 |
| Net bad debt loss | 0.34 | 0.18 | 0.18 | 0.22 |
| All other expenses | 1.04 | 1.04 | 1.31 | 1.17 |
| Total general and administrative expense | 9.64 | 9.12 | 7.31 | 8.37 |
| Total operating expenses | 21.68 | 18.20 | 17.42 | 18.74 |
| Net operating profit | 5.46 | 4.19 | 6.69 | 5.74 |

(1) Excludes amount attributed to real estate which is in occupancy.

HARDWARE.....

Reports suitable for tabulation were received from 46 wholesalers of hardware. This classification covered general line hardware dealers and the firms were divided into **four** sales-size groups. General information concerning these firms follows with summary points in their 1947 business operations below.

GENERAL INFORMATION ON REPORTING FIRMS

| Item | Annual Net Sales | | | | |
|------------------------------|--------------------|------------------------------|----------------------------------|-------------------------|--------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 to \$4,999,999 | \$5,000,000 and over | Total all sizes |
| Number of firms | 13 | 13 | 12 | 8 | 46 |
| Incorporated companies | 11 | 11 | 11 | 8 | 41 |
| Single establishments | 13 | 13 | 9 | 2 | 37 |
| Sales distribution to: | | | | | |
| Retail stores | 63.34 | 64.36 | 65.38 | 70.23 | 68.54 |
| Other wholesalers | 9.52 | 2.16 | 4.82 | 0.64 | 1.88 |
| Industry | 11.98 | 14.65 | 28.15 | 27.54 | 26.03 |
| Contractors | 13.94 | 10.49 | 1.44 | - | 1.65 |
| Others (incl. at retail) .. | 1.22 | 8.34 | 0.21 | 1.59 | 1.90 |

1. In 1947 the average hardware wholesaler paid \$79.86 out of every \$100 net sales as cost of goods and retained \$20.14 to meet operating expenses of \$13.53 and derived a net profit of \$6.61. Firms with net sales over \$5,000,000 obtained the highest ratio of net operating profit - 7.20 per cent of net sales-which with other income of 0.70 per cent resulted in a profit of 7.90 per cent before income tax deduction. (Table 6.)
2. Salaries generally decreased in sales ratio with size of business. Administrative salaries were the largest item of expense (3.23 per cent) with selling salaries next and warehouse and delivery salaries and wages at 2.21 per cent of net sales. Total salaries averaged 7.74 per cent of net sales or 57 per cent of all operating expenses. Other details of individual expense items are presented by size of business in table 7.

3. As 41 of the 46 firms were incorporated, the results of this type will parallel the results of all firms very closely. Income tax data on these firms, however, permits a further tabulation to a final net profit. The all size average showed a total net profit before income tax of 7.41 per cent of net sales with income tax of 3.51 per cent of sales or approximately 47 per cent of taxable income. (Table 5.)

Table 5. - OPERATING RESULTS OF INCORPORATED HARDWARE WHOLESALERS, 1947

| By Size of Firm | | | | | |
|---|--------------------|------------------------------|----------------------------------|-------------------------|--------------------|
| Item | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 to \$4,999,999 | \$5,000,000 and over | Total all sizes |
| (Per cent of net sales) | | | | | |
| Gross profit | 21.54 | 21.59 | 19.75 | 20.20 | 20.23 |
| Operating expenses | 16.15 | 15.34 | 14.68 | 13.00 | 13.56 |
| Net operating profit | 5.39 | 6.25 | 5.07 | 7.20 | 6.67 |
| Other trading income | 1.34 | 0.76 | 0.77 | 0.70 | 0.74 |
| Total net profit before income tax deduction | 6.72 | 7.01 | 5.84 | 7.90 | 7.41 |
| Income tax | 2.57 | 3.22 | 2.75 | 3.77 | 3.51 |
| Final net profit | 4.15 | 3.81 | 3.09 | 4.13 | 3.90 |

Table 6. - OPERATING RESULTS OF HARDWARE WHOLESALERS, 1947

| Item | By Size of Firm | | | | |
|---|--------------------|------------------------------|----------------------------------|-------------------------|--------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 to \$4,999,999 | \$5,000,000 and over | Total all sizes |
| Number of firms | 13 | 13 | 12 | 8 | 46 |
| Average net sales per firm \$ | 268,789 | 707,722 | 2,233,081 | 11,418,180 | 2,844,283 |
| Average cost of goods sold \$ | 212,989 | 556,303 | 1,798,857 | 9,111,722 | 2,271,323 |
| Stock turnover (times per year) ... | 4.5 | 4.8 | 5.6 | 3.6 | 4.0 |
| Average beginning inventory \$ | 40,922 | 107,030 | 282,131 | 2,284,269 | 512,674 |
| Per cent of net sales | 15.22 | 15.12 | 12.63 | 20.01 | 18.02 |
| Average ending inventory \$ | 53,214 | 126,773 | 363,237 | 2,713,747 | 617,579 |
| Per cent of net sales | 19.80 | 17.91 | 16.27 | 23.77 | 21.71 |
| <u>PROFIT AND LOSS DATA</u> | | | | | |
| (Per cent of net sales) | | | | | |
| Gross profit | 20.76 | 21.40 | 19.45 | 20.20 | 20.14 |
| Operating Expenses: | | | | | |
| Selling | 4.71 | 5.22 | 3.33 | 3.41 | 3.56 |
| Warehouse and delivery | 3.07 | 2.65 | 3.72 | 2.56 | 2.82 |
| General and administrative | 7.67 | 7.33 | 7.45 | 7.03 | 7.15 |
| Total operating expenses | 15.45 | 15.20 | 14.50 | 13.00 | 13.53 |
| Net operating profit | 5.31 | 6.20 | 4.95 | 7.20 | 6.61 |
| Other trading income | 1.27 | 0.72 | 0.74 | 0.70 | 0.73 |
| Total net profit before income tax deduction | 6.58 | 6.92 | 5.69 | 7.90 | 7.34 |
| <u>MISCELLANEOUS DATA</u> | | | | | |
| Credit sales: | | | | | |
| Average per firm \$ | 233,981 | 657,049 | 2,164,749 | 10,846,129 | 2,700,078 |
| Per cent of total sales | 87.05 | 92.84 | 96.94 | 94.99 | 94.93 |
| Accounts outstanding: | | | | | |
| Average per firm \$ | 23,755 | 66,493 | 233,576 | 1,066,174 | 270,008 |
| Per cent of credit sales | 10.58 | 10.12 | 10.79 | 9.83 | 10.00 |

Table 7. - OPERATING EXPENSES OF HARDWARE WHOLESALERS, 1947

| Item | By Size of Firm | | | | |
|--|-------------------------|------------------------------|----------------------------------|-------------------------|--------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 to \$4,999,999 | \$5,000,000 and over | Total all sizes |
| | (Per cent of net sales) | | | | |
| Gross profit | 20.76 | 21.40 | 19.45 | 20.20 | 20.14 |
| Operating Expenses: | | | | | |
| <u>Selling expense:</u> | | | | | |
| Salaries | 3.21 | 3.71 | 2.31 | 2.11 | 2.30 |
| Travelling | 1.26 | 1.05 | 0.71 | 0.75 | 0.78 |
| Advertising | 0.15 | 0.30 | 0.27 | 0.47 | 0.41 |
| Other selling expenses | 0.09 | 0.16 | 0.04 | 0.08 | 0.07 |
| Total selling expense | 4.71 | 5.22 | 3.33 | 3.41 | 3.56 |
| <u>Warehouse and Delivery Expense:</u> | | | | | |
| Salaries and wages | 2.50 | 2.14 | 2.99 | 1.98 | 2.21 |
| Maintenance of delivery equipment | 0.38 | 0.29 | 0.41 | 0.21 | 0.26 |
| Outward freight, contract delivery | 0.06 | 0.11 | 0.14 | 0.26 | 0.22 |
| Warehouse supplies | 0.07 | 0.09 | 0.09 | 0.07 | 0.08 |
| Other warehouse and delivery expenses | 0.06 | 0.02 | 0.09 | 0.04 | 0.05 |
| Total warehouse and delivery expense | 3.07 | 2.65 | 3.72 | 2.56 | 2.82 |
| <u>General and Administrative Expense:</u> | | | | | |
| Salaries | 4.07 | 3.85 | 3.60 | 3.03 | 3.23 |
| Employees' benefits | 0.10 | 0.12 | 0.26 | 0.17 | 0.18 |
| Occupancy | 0.90 | 0.93 | 0.92 | 1.17 | 1.10 |
| Light, heat, and power | 0.22 | 0.15 | 0.17 | 0.13 | 0.14 |
| Taxes (1) | 0.09 | 0.08 | 0.06 | 0.06 | 0.06 |
| Insurance (1) | 0.23 | 0.22 | 0.12 | 0.08 | 0.10 |
| Office supplies | 0.23 | 0.28 | 0.23 | 0.25 | 0.25 |
| Postage, telegraph, telephone . | 0.32 | 0.31 | 0.38 | 0.34 | 0.34 |
| Cash discounts allowed | 0.53 | 0.35 | 0.86 | 0.66 | 0.68 |
| Bad debts - amount allowed or written off | 0.17 | 0.24 | 0.27 | 0.30 | 0.28 |
| (Less) Amount recovered | 0.01 | 0.03 | 0.03 | 0.12 | 0.09 |
| Net bad debt loss | 0.16 | 0.21 | 0.24 | 0.18 | 0.19 |
| All other expenses | 0.82 | 0.83 | 0.61 | 0.96 | 0.88 |
| Total general and administrative expense | 7.67 | 7.33 | 7.45 | 7.03 | 7.15 |
| Total operating expenses | 15.45 | 15.20 | 14.50 | 13.00 | 13.53 |
| Net operating profit | 5.31 | 6.20 | 4.95 | 7.20 | 6.61 |

(1) Excludes amount attributed to real estate which is in occupancy.

PLUMBING AND HEATING SUPPLIES.....

Thirty-four wholesalers of plumbing and heating supplies returned reports satisfactory for tabulation in this study. For presentation of operating results, these returns were divided into three sales-size groups. General information on these firms is as follows:

GENERAL INFORMATION ON REPORTING FIRMS

| Item | Annual Net Sales | | | |
|-----------------------------------|--------------------|------------------------------|-------------------------|--------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | Total all sizes |
| Number of firms | 16 | 7 | 11 | 34 |
| Incorporated companies | 11 | 7 | 11 | 29 |
| Single establishments | 16 | 6 | 7 | 29 |
| Sales distribution to: | | | | |
| Contractors | 92.71 | 84.53 | 67.27 | 70.68 |
| Other wholesalers | 3.57 | 7.31 | 3.52 | 3.87 |
| Industry and other large users. % | 1.23 | 6.20 | 21.15 | 18.35 |
| Others (incl. retail sales) ... % | 2.49 | 1.96 | 8.06 | 7.10 |

Points of major importance in the operations of wholesalers of plumbing and heating supplies are summarized below.

1. For every \$100 net sales, \$79.55 was paid out as cost of merchandise and \$11.59 as operating expenses to net an operating profit of \$8.86. Other income added \$0.88 to give a total net profit before income tax deduction of \$9.63. Firms with annual net sales in excess of \$1,000,000 obtained higher ratios of profit than the all size average and the two smaller size-classes averaged smaller ratios. (Table 9.)
2. Salaries and wages paid formed 5.97 per cent of net sales or approximately 51 per cent of total operating expenses. Administrative salaries were highest at 2.93 per cent of net sales, selling salaries represented 1.72 per cent and warehouse and delivery 1.32 per cent. Cash discounts allowed customers were 1.16 per cent of sales and outward freight or contract hauling 1.09 per cent. Other details of expense by size groups are given in table 10.

3. Incorporated companies in the two smaller sized groups paid income tax to the extent of 3.13 per cent and 3.09 per cent of net sales, leaving final net profits of 4.77 per cent for the smallest group and 3.78 per cent for the middle size group. Inclusion of miscellaneous income other than trading income by some of the largest class firms made it impossible to compile average results for that group on income tax data. The results of the incorporated firms of the two smaller size classes are shown in table 8.

Table 8. - OPERATING RESULTS OF INCORPORATED FIRMS - WHOLESALERS OF
PLUMBING AND HEATING SUPPLIES, 1947

| Item | Annual Net Sales | |
|---|-------------------------|---------------------------|
| | Under \$500,000 | \$500,000 to \$999,999 |
| | (Per cent of net sales) | |
| Gross profit | 19.91 | 16.47 |
| Total operating expenses | 12.72 | 10.65 |
| Net operating profit | 7.19 | 5.82 |
| Other trading income | 0.71 | 1.05 |
| Total net profit before income tax deduction | 7.90 | 6.87 |
| Income tax | 3.13 | 3.09 |
| Final net profit | 4.77 | 3.78 |

Table 9. - OPERATING RESULTS OF PLUMBING AND HEATING WHOLESALERS, 1947

| By Size of Firm | | | | |
|---|--------------------|------------------------------|-------------------------|--------------------|
| Item | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | Total all sizes |
| Number of firms | 16 | 7 | 11 | 34 |
| Average net sales per firm \$ | 299,009 | 352,831 | 4,788,184 | 1,865,411 |
| Average cost of goods sold \$ | 242,830 | 712,402 | 3,779,910 | 1,483,856 |
| Stock turnover (times per year) | 9.9 | 10.4 | 5.8 | 6.3 |
| Average beginning inventory \$ | 19,203 | 49,836 | 523,184 | 188,563 |
| Per cent of net sales | 6.42 | 5.84 | 10.93 | 10.11 |
| Average ending inventory \$ | 29,867 | 87,483 | 772,457 | 281,979 |
| Per cent of net sales | 9.99 | 10.26 | 16.13 | 15.12 |
| <u>PROFIT AND LOSS DATA</u> | | | | |
| Per cent of net sales) | | | | |
| Gross profit | 18.79 | 16.47 | 21.06 | 20.45 |
| Operating Expenses: | | | | |
| Selling | 3.20 | 2.45 | 2.46 | 2.51 |
| Warehouse and delivery | 2.55 | 2.16 | 2.83 | 2.74 |
| General and administrative | 6.17 | 6.04 | 6.38 | 6.34 |
| Total operating expenses | 11.92 | 10.65 | 11.67 | 11.59 |
| Net operating profit | 6.87 | 5.82 | 9.39 | 8.86 |
| Other trading income | 0.60 | 1.05 | 0.75 | 0.77 |
| Total net profit before income tax deduction | 7.47 | 6.87 | 10.14 | 9.63 |
| <u>MISCELLANEOUS DATA</u> | | | | |
| Credit sales: | | | | |
| Average per firm \$ | 262,769 | 736,334 | 4,689,068 | 1,795,645 |
| Per cent of total sales | 87.88 | 86.34 | 97.93 | 96.26 |
| Accounts outstanding: | | | | |
| Average per firm \$ | 27,196 | 71,572 | 593,167 | 220,505 |
| Per cent of credit sales | 10.35 | 9.72 | 12.65 | 12.28 |
| Sales per 1,000 sq. ft. floor space. \$ | 40,101 | 48,933 | 49,078 | 47,502 |

Table 10. - OPERATING EXPENSES OF PLUMBING AND HEATING WHOLESALEERS, 1947

| By Size of Firm | | | | |
|--|--------------------|------------------------------|-------------------------|--------------------|
| Item | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | Total all sizes |
| (Per cent of net sales) | | | | |
| Gross profit | 18.79 | 16.47 | 21.06 | 20.45 |
| Operating Expenses: | | | | |
| <u>Selling expense:</u> | | | | |
| Salaries | 2.22 | 1.43 | 1.71 | 1.72 |
| Travelling | 0.62 | 0.75 | 0.41 | 0.46 |
| Advertising | 0.25 | 0.18 | 0.20 | 0.20 |
| Other selling expenses | 0.11 | 0.04 | 0.14 | 0.13 |
| Total selling expense | 3.20 | 2.45 | 2.46 | 2.51 |
| <u>Warehouse and Delivery Expense:</u> | | | | |
| Salaries and wages | 1.65 | 1.26 | 1.29 | 1.32 |
| Maintenance of delivery equipment. | 0.39 | 0.24 | 0.17 | 0.19 |
| Outward freight, contract delivery. | 0.34 | 0.41 | 1.24 | 1.09 |
| Warehouse supplies | 0.03 | 0.10 | 0.10 | 0.09 |
| Other warehouse and delivery expenses | 0.14 | 0.15 | 0.03 | 0.05 |
| Total warehouse and delivery expense | 2.55 | 2.16 | 2.83 | 2.74 |
| General and Administrative Expense: | | | | |
| Salaries | 2.99 | 2.78 | 2.94 | 2.93 |
| Employees' benefits | 0.07 | 0.08 | 0.06 | 0.06 |
| Occupancy | 0.63 | 0.59 | 0.79 | 0.77 |
| Light, heat, and power | 0.12 | 0.12 | 0.13 | 0.13 |
| Taxes (1) | 0.06 | 0.06 | 0.05 | 0.06 |
| Insurance (1) | 0.12 | 0.10 | 0.06 | 0.07 |
| Office supplies | 0.25 | 0.28 | 0.23 | 0.23 |
| Postage, telegraph, telephone | 0.29 | 0.27 | 0.28 | 0.28 |
| Cash discounts allowed | 0.90 | 0.89 | 1.22 | 1.16 |
| Bad debts - amount allowed or written off | 0.27 | 0.20 | 0.20 | 0.21 |
| (Less) Amount recovered | (a) | 0.10 | 0.06 | 0.06 |
| Net bad debt loss | 0.27 | 0.10 | 0.14 | 0.15 |
| All other expenses | 0.47 | 0.77 | 0.48 | 0.50 |
| Total general and administrative expense | 6.17 | 6.04 | 6.38 | 6.34 |
| Total operating expenses | 11.92 | 10.65 | 11.67 | 11.59 |
| Net operating profit | 6.87 | 5.82 | 9.39 | 8.86 |

(1) Excludes amount attributed to real estate which is in occupancy.

(a) Less than 0.005 per cent.

DRUGS.....

Seventeen regular wholesalers of drugs and 5 wholesalers operating on a cooperative basis submitted satisfactory reports to this survey. The 17 regular wholesalers were divided into two sales-size groups, results for which appear in tables 11 and 12. As all except one firm in the smaller class were incorporated companies, income tax data for the incorporated firms is shown in table 11. General information on the 17 firms follows:

GENERAL INFORMATION ON REPORTING FIRMS

| Item | Annual Net Sales | | |
|------------------------------------|----------------------|-------------------------|--------------------|
| | Under \$1,000,000 | \$1,000,000 and over | Total all sizes |
| Number of firms | 9 | 8 | 17 |
| Incorporated companies | 8 | 8 | 16 |
| Single establishments | 9 | 5 | 14 |
| Sales distribution to: | | | |
| Retailers | 93.13 | 83.63 | 84.81 |
| Other wholesalers | 3.27 | 12.34 | 11.21 |
| Industry and other large users ... | 3.60 | 3.45 | 3.47 |
| Others | -- | 0.58 | 0.51 |

Summary points in the operations of drug wholesalers in 1947 are shown below.

1. Out of every \$100 net sales, \$87.23 was spent as cost of goods sold and \$10.62 as operating expenses. To the \$2.15 net operating profit \$0.31 was added as other income and \$1.07 deducted in income tax to leave a final net profit of \$1.39. (Table 11.)
2. Stock was sold and replaced 5.1 times per year in the average drug wholesale firm with the smaller sized firms effecting a slightly more rapid rate of turnover than the larger class. The larger firms granted more credit and had a smaller proportion of credit sales outstanding at the end of the year. (Table 11.)

3. In common with other wholesale businesses, drug wholesalers expended over 50 per cent of operating expenses in salaries and wages. Administrative salaries formed 2.85 per cent of net sales, selling salaries 1.73 per cent and warehouse and delivery salaries and wages 1.70 per cent. Other expense items are shown in detail by size breakdown in table 12.
4. Cooperative wholesalers operated on a gross profit sufficient to meet expenses. The benefits derived from cooperative buying were apparently passed on to members. This difference in operation is shown in table 13. Gross profit is only half that obtained by regular wholesalers. Selling expenses are negligible at 0.40 per cent of net sales as compared to 2.44 per cent paid by regular wholesalers. In almost all items of expense cooperative wholesalers operated on smaller ratios than other drug wholesalers. (Table 13.)

Table 11. - OPERATING RESULTS OF DRUG WHOLESALERS, 1947

| By Size of Firm | | | |
|---|----------------------|-------------------------|--------------------|
| Item | Under \$1,000,000 | \$1,000,000 and over | Total all sizes |
| Number of firms | 9 | 8 | 17 |
| Average net sales per firm \$ | 401,703 | 3,178,465 | 1,708,415 |
| Average cost of goods sold \$ | 341,861 | 2,782,368 | 1,490,335 |
| Stock turnover (times per year) | 5.7 | 5.0 | 5.1 |
| Average beginning inventory \$ | 56,011 | 536,843 | 281,376 |
| Per cent of net sales | 13.94 | 16.89 | 16.47 |
| Average ending inventory \$ | 64,988 | 571,806 | 303,073 |
| Per cent of net sales | 16.18 | 17.99 | 17.74 |
| <u>PROFIT AND LOSS DATA</u> | | | |
| Per cent of net sales) | | | |
| Gross profit | 14.90 | 12.46 | 12.77 |
| Operating Expenses: | | | |
| Selling | 3.66 | 2.27 | 2.44 |
| Warehouse and delivery | 3.51 | 2.26 | 2.42 |
| General and administrative | 6.20 | 5.69 | 5.76 |
| Total operating expenses | 13.37 | 10.22 | 10.62 |
| Net operating profit | 1.53 | 2.24 | 2.15 |
| Other trading income | 0.53 | 0.28 | 0.31 |
| Total net profit before income tax deduction. | 2.06 | 2.52 | 2.46 |
| Income tax | 0.77 | 1.12 | 1.07 |
| Final net profit | 1.29 | 1.40 | 1.39 |
| <u>MISCELLANEOUS DATA</u> | | | |
| Credit sales: | | | |
| Average per firm \$ | 367,558 | 3,104,088 | 1,653,233 |
| Per cent of total sales | 91.50 | 97.66 | 96.77 |
| Accounts outstanding: | | | |
| Average per firm \$ | 32,308 | 200,834 | 112,254 |
| Per cent of credit sales | 8.79 | 6.47 | 6.79 |
| Sales per 1,000 sq. ft. floor space \$ | 38,625 | 70,470 | 59,885 |

Table 12. - OPERATING EXPENSES OF DRUG WHOLESALERS, 1947

| By Size of Firm | | | |
|--|----------------------|-------------------------|--------------------|
| Item | Under \$1,000,000 | \$1,000,000 and over | Total all sizes |
| (Per cent of net sales) | | | |
| Gross profit | 14.90 | 12.46 | 12.77 |
| Operating Expenses: | | | |
| <u>Selling expense:</u> | | | |
| Salaries | 2.75 | 1.58 | 1.73 |
| Travelling | 0.69 | 0.52 | 0.54 |
| Advertising | 0.14 | 0.09 | 0.09 |
| Other selling expenses | 0.08 | 0.08 | 0.08 |
| Total selling expense | 3.66 | 2.27 | 2.44 |
| <u>Warehouse and Delivery Expense:</u> | | | |
| Salaries and wages | 2.68 | 1.56 | 1.70 |
| Maintenance of delivery equipment | 0.20 | 0.28 | 0.27 |
| Outward freight, contract delivery | 0.48 | 0.27 | 0.30 |
| Warehouse supplies | 0.08 | 0.09 | 0.09 |
| Other warehouse and delivery expenses ... | 0.07 | 0.06 | 0.06 |
| Total warehouse and delivery expense | 3.51 | 2.26 | 2.42 |
| <u>General and Administrative Expense:</u> | | | |
| Salaries | 3.57 | 2.74 | 2.85 |
| Employees' benefits | 0.06 | 0.44 | 0.39 |
| Occupancy | 0.49 | 0.66 | 0.64 |
| Light, heat, and power | 0.13 | 0.12 | 0.12 |
| Taxes (1) | 0.11 | 0.10 | 0.10 |
| Insurance (1) | 0.21 | 0.11 | 0.12 |
| Office supplies | 0.15 | 0.17 | 0.17 |
| Postage, telegraph, telephone | 0.25 | 0.22 | 0.22 |
| Cash discounts | 0.39 | 0.16 | 0.19 |
| Bad debts - amount allowed or written off | 0.07 | 0.01 | 0.02 |
| (Less) Amount recovered | 0.01 | (a) | 0.01 |
| Net bad debt loss | 0.06 | (a) | 0.01 |
| All other expenses | 0.78 | 0.97 | 0.95 |
| Total general and administrative expense .. | 6.20 | 5.69 | 5.76 |
| Total operating expenses | 13.37 | 10.22 | 10.62 |
| Net operating profit | 1.53 | 2.24 | 2.15 |

(1) Excludes amount attributed to real estate which is in occupancy.

(a) Less than 0.005 per cent.

Table 13. - OPERATING EXPENSES OF COOPERATIVE AND REGULAR DRUG WHOLESALEERS COMPARED, 1947

(All sizes combined)

| Item | Co-operative Wholesalers (Per cent of net sales) | Regular Wholesalers |
|--|--|------------------------|
| Gross profit | 6.08 | 12.77 |
| Operating Expenses: | | |
| <u>Selling expense:</u> | | |
| Salaries | 0.21 | 1.73 |
| Travelling | 0.06 | 0.54 |
| Advertising | 0.04 | 0.09 |
| Other selling expenses | 0.09 | 0.08 |
| Total selling expense | 0.40 | 2.44 |
| <u>Warehouse and Delivery Expense:</u> | | |
| Salaries and wages | 0.78 | 1.70 |
| Maintenance of delivery equipment | 0.10 | 0.37 |
| Outward freight, contract delivery | 0.06 | 0.30 |
| Warehouse supplies | 0.13 | 0.09 |
| Other warehouse and delivery expenses ... | (a) | 0.06 |
| Total warehouse and delivery expense | 1.07 | 2.42 |
| <u>General and Administrative Expense:</u> | | |
| Salaries | 4.15 | 2.85 |
| Employees' benefits | 0.24 | 0.39 |
| Occupancy | 0.47 | 0.64 |
| Light, heat, and power | 0.08 | 0.12 |
| Taxes (1) | 0.02 | 0.10 |
| Insurance (1) | 0.04 | 0.12 |
| Office supplies | 0.13 | 0.17 |
| Postage, telegraph, telephone | 0.10 | 0.22 |
| Cash discounts allowed | 0.03 | 0.19 |
| Bad debts - amount allowed or written off | (a) | 0.02 |
| (Less) Amount recovered | - | 0.01 |
| Net bad debt loss | (a) | 0.01 |
| All other expenses | 0.07 | 0.95 |
| Total general and administrative expense .. | 5.33 | 5.76 |
| Total operating expenses | 6.80 | 10.62 |
| Net operating profit | - 0.72(loss) | 2.15 |
| Other trading income | 0.81 | 0.31 |
| Total net profit before income tax deduction. | 0.09 | 2.46 |

(1) Excludes amount attributed to real estate which is in occupancy.

(a) Less than 0.005 per cent.

63-D-42

MERCHANDISING FILE 101
UNIVERSITY OF TORONTO
DEPT. OF POLITICAL ECONOMY

GOVERNMENT OF CANADA

OPERATING RESULTS
OF
MISCELLANEOUS WHOLESALERS
1949

^A
D.B.S.
PUBLICATION



OPERATING RESULTS OF MISCELLANEOUS WHOLESALERS

1949

Automotive Parts and Accessories — Hardware

Plumbing and Heating Supplies — Drugs

Published by Authority of the Rt. Hon. C. D. Howe
Minister of Trade and Commerce

Prepared in the Merchandising and Services Section,
Industry and Merchandising Division,
Dominion Bureau of Statistics, Ottawa

NOTICE

The Industry and Merchandising Division of the Bureau of Statistics collects and compiles figures on (a) the primary industries in Canada — mining, forestry, and fishing; (b) manufacturing; (c) construction; and (d) merchandising and services.

For the purpose of annual compilation and publication, reports on merchandising and services have been classified as follows:

Part I — Wholesale Statistics

- A. General Review
- B. Wholesale Trade
- C. Operating Results of Food Wholesalers
- D. Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers
- E. Operating Results of Miscellaneous Wholesalers (automotive equipment, drugs, hardware, plumbing and heating equipment)

Part II — Retail Statistics

- F. General Review
- G. Retail Trade
- H. Department Store Sales and Stocks
- I. Retail Chain Stores
- J. Operating Results of Food Store Chains
- K. Operating Results of Clothing Store Chains
- L. Operating Results of Miscellaneous Chain Stores (variety, drug, furniture)

Part III — Services and Special Fields

- M. Laundries, Cleaners and Dyers
- N. Theatres
- P. Advertising Agencies (Memorandum)
- Q. Sales Financing
- R. Farm Implement and Equipment Sales
- AA. New Motor Vehicle Sales and Motor Vehicle Financing

The reports are punched to permit of filing in a ring binder.

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OPERATING RESULTS—LIST OF REPORTS

WHOLESALE TRADE (1947 and 1949)

1. Food Wholesalers
2. Dry Goods, Piece Goods, Footwear Wholesalers
3. Miscellaneous Wholesalers (Automotive Parts and Accessories, Hardware, Plumbing and Heating Supplies, Drugs)

INDEPENDENT RETAIL STORES (1944, 1945, 1946 and 1948)

1. Food Stores
2. Clothing Stores
3. Hardware, Furniture, Household Appliance and Radio Stores
4. Filling Stations and Garages
5. Miscellaneous Stores (Country General, Restaurants, Fuel, Drugs, Jewellery, Tobacco Stores)

RETAIL CHAIN STORES (1947 and 1949)

1. Food Store Chains
2. Clothing Store Chains
3. Miscellaneous Chain Stores (Variety, Furniture, Drugs)

INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

Scope

This study is confined to **wholesalers proper**, i.e. those wholesalers performing the full selling, warehousing and delivery functions. Agents, brokers, drop shippers and other specialized types of wholesale distributor are **not** included. Four trades are covered — automotive parts and accessories, hardware, plumbing and heating supplies, and drugs.

Content

Most emphasis has been placed on the presentation of profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. Operating expenses appear separately for selling, warehouse and delivery, and administrative and general departments. The customary profit and loss details are supplemented by information on other related operating features including inventories, rate of stock turnover, credit sales and receivables, and floor space used. Wherever possible, a table showing regional figures has been prepared. No reports from Newfoundland wholesalers are included in this survey. Proprietors' salaries were included with administrative salaries. An income tax tabulation was made for incorporated companies only.

Purpose

The primary purpose of the operating costs surveys is to provide averages on the different phases of business operations against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

Period Covered

This report deals largely with 1949 operations and is the second biennial publication in a series begun in 1947. Certain summary tables show comparative results for both years.

New Feature

Middle range figures for gross and net profits, and for the three main functional divisions of expense, have been introduced as a new feature. Results for one-half of all firms fell within the range shown for each item, while one-quarter of the firms fell on either side of the range limits indicated. Because each item was treated singly, the sum of net profit and the expense items does not necessarily equal gross profit in those tables showing middle range data.

SUMMARY OF 1949 RESULTS BY TRADES

The following table shows comparative results in summary form for the four trades covered in this report. In analysing the performance of an individual wholesale company, reference should be made to the

more detailed tables appearing in later sections of this report. In these tables variations arising from difference in sales-size and geographical location are revealed.

Operating Results of Wholesalers of Automotive Parts and Accessories, Hardware, Plumbing and Heating Supplies and Drugs, 1949

| Item | Automotive parts and accessories | Hardware | Plumbing and heating supplies | Drugs |
|---|----------------------------------|-----------|-------------------------------|-----------|
| Number of firms | 61 | 57 | 42 | 12 |
| Average sales per firm | \$ 782,026 | 2,323,346 | 2,194,036 | 2,910,772 |
| Stock turnover (times per year)..... | 4.6 | 4.4 | 6.7 | 5.6 |
| (Percent of net sales) | | | | |
| Gross profit | 25.18 | 19.26 | 19.07 | 12.48 |
| Operating expenses: | | | | |
| Selling | 6.86 | 4.01 | 2.55 | 1.76 |
| Warehouse and delivery | 4.19 | 2.95 | 2.38 | 2.41 |
| Administrative and general..... | 8.90 | 7.06 | 6.97 | 5.74 |
| Total operating expenses..... | 19.95 | 14.02 | 11.90 | 9.91 |
| Net operating profit..... | 5.23 | 5.24 | 7.17 | 2.57 |
| Other trading income..... | 1.01 | 0.66 | 0.38 | 0.24 |
| Total net profit before income tax deduction..... | 6.24 | 5.90 | 7.55 | 2.81 |
| Credit sales | 91.49 | 93.10 | 94.27 | 92.88 |
| Sales to retailers..... | 67.15 | 64.84 | 57.69 | 89.60 |

Average sales per firm were considerably lower in the automotive parts and accessories trades than in the other three reviewed in this bulletin. Stock turnover was more rapid in the plumbing and heating supplies trade. Wholesalers of automotive parts and accessories operated on the highest gross profit and drug wholesalers on the smallest. High expense ratios of automotive parts and accessories whole-

salers reduced their gross profit to a net profit lower than that of wholesalers of plumbing and heating supplies. This latter trade had the highest ratio of net profit of all wholesale trades covered in this survey. All trades in this report extended more than 90% credit on their 1949 sales. Drug stores sold a greater proportion of their goods to the retail trade than did the other three trades.

AUTOMOTIVE PARTS AND ACCESSORIES

Reports from 61 wholesalers of automotive parts and accessories were used in the preparation of the

1949 operating results. Some general characteristics of these firms are described below.

Description of Reporting Firms

| Item | Firms with 1949 sales of | | | Total, all sizes |
|--|--------------------------|------------------------------|-------------------------|------------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| Number of firms..... | 39 | 12 | 10 | 61 |
| Form of organization: | | | | |
| Individual proprietorship..... | 5 | — | — | 5 |
| Partnership..... | 9 | — | — | 9 |
| Incorporated company..... | 25 | 12 | 10 | 47 |
| No. of establishments operated: | | | | |
| By single-establishment firms..... | 31 | 9 | 5 | 45 |
| By multiple-establishment firms..... | 21 | 6 | 25 | 52 |
| Distribution of sales: | | | | |
| To garages and filling stations..... % | 62.88 | 49.66 | 73.92 | 67.15 |
| To other wholesalers..... % | 22.17 | 35.20 | 2.82 | 12.87 |
| To industry and other large users..... % | 6.36 | 12.70 | 8.57 | 8.83 |
| To others..... % | 8.59 | 2.44 | 14.69 | 11.15 |

Most of the reporting firms were incorporated companies. Sixteen multiple firms operated 52 outlets and 45 firms were of the single-establishment

type. Sixty-seven per cent of sales was to garages and filling stations, 13% to other wholesalers, 9% to other larger users and 11% to others.

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios

Out of an average gross profit of 25.18% of net sales, wholesalers of automotive parts and accessories paid out 19.95% in operating expenses. Administrative and general expenses accounted for 8.9%, selling ex-

penses were 6.86%, and warehouse and delivery expenses formed 4.19% of net sales. Other income of 1.01% added to a net trading profit of 5.23% gave a total net profit before income tax deduction of 6.24% of sales.

Inventories and Stock Turnover

Inventories at the end of 1949 were 17.04% of sales compared with 15.69% at the beginning. All size categories showed increased dollar volume of inven-

ories at the end of the year. The rate of stock turnover was a little more rapid in the larger firms and averaged 4.6 times per year for all sizes combined.

Credit Sales and Receivables

Wholesalers of automotive parts and accessories transacted 91.49% of their business on credit. Firms in the larger size classes extended more credit

than those in the smaller brackets. Outstanding accounts at the end of the year were 11.07% of credit sales.

Regional Results

Firms in the Prairie Provinces obtained higher gross profits in 1949 — 27.29% — than those in other regions of the country. The Maritime wholesalers had the lowest average gross profit at 23.07% of sales.

British Columbia wholesalers had the greatest operating expenses and consequently the lowest net profit — 2.25% of net sales. The Prairies showed highest net profits at 7.76% of net sales. (See Table 2.)

Range Figures

Middle range figures shown in Table 3 reveal the experience of one-half of the reporting firms centered on the median. One-quarter of all the firms were below and one-quarter above the ratios shown for the various items. Along with these middle range figures

are shown average ratios as produced in Table 1. Gross profits for the middle half of the firms were between 24.2% and 29.4% of net sales. Net profits ranged from 1.2% to 6.2% of sales for the middle half. (See Table 3.)

TABLE 1. Operating Results of Automotive Parts and Accessories Wholesalers, by Size of Firm, 1949

| Item | Firms with 1949 sales of | | | Total, all sizes |
|---|--------------------------|------------------------------|-------------------------|------------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| Number of firms..... | 39 | 12 | 10 | 61 |
| Average net sales per firm..... \$ | 272,964 | 711,874 | 2,851,548 | 782,026 |
| Average cost of goods sold..... \$ | 199,380 | 542,407 | 2,140,887 | 585,140 |
| Stock turnover (times per year)..... | 4.2 | 4.5 | 4.8 | 4.6 |
| Average beginning inventory..... \$ | 47,084 | 113,871 | 428,207 | 122,701 |
| Percent of sales..... | 17.25 | 16.00 | 15.02 | 15.69 |
| Average ending inventory..... \$ | 48,962 | 127,647 | 468,724 | 133,255 |
| Percent of sales..... | 17.94 | 17.93 | 16.44 | 17.04 |
| PROFIT AND LOSS DATA (Percent of net sales) | | | | |
| Gross profit..... | 26.96 | 23.81 | 24.92 | 25.18 |
| Operating expenses: | | | | |
| Selling expense: | | | | |
| Salaries..... | 5.26 | 5.72 | 4.33 | 4.78 |
| Travelling..... | 1.20 | 0.98 | 0.63 | 0.82 |
| Advertising..... | 0.58 | 0.52 | 1.17 | 0.93 |
| Other selling expense..... | 0.41 | 0.16 | 0.35 | 0.33 |
| Total selling expense..... | 7.45 | 7.38 | 6.48 | 6.86 |
| Warehouse and delivery expense: | | | | |
| Salaries and wages..... | 3.34 | 2.87 | 3.04 | 3.08 |
| Maintenance of delivery equipment..... | 0.47 | 0.29 | 0.28 | 0.32 |
| Outward freight, contract hauling..... | 0.36 | 0.38 | 0.51 | 0.45 |
| Warehouse supplies..... | 0.24 | 0.15 | 0.16 | 0.18 |
| Other warehouse and delivery expense..... | 0.20 | 0.04 | 0.18 | 0.16 |
| Total warehouse and delivery expense.... | 4.61 | 3.73 | 4.17 | 4.19 |
| Administrative and general expense: | | | | |
| Salaries..... | 4.94 | 4.39 | 3.19 | 3.79 |
| Employees' benefits..... | 0.23 | 0.27 | 0.36 | 0.32 |
| Occupancy..... | 1.40 | 1.40 | 1.19 | 1.28 |
| Light, heat, and power..... | 0.33 | 0.30 | 0.20 | 0.25 |
| Taxes..... | 0.15 | 0.11 | 0.13 | 0.13 |
| Insurance ¹ | 0.32 | 0.22 | 0.15 | 0.20 |
| Office supplies..... | 0.34 | 0.36 | 0.34 | 0.34 |
| Postage, telegraph, telephone..... | 0.57 | 0.45 | 0.47 | 0.49 |
| Cash discounts allowed..... | 0.49 | 0.70 | 0.51 | 0.54 |
| Bad debts — amount written off..... | 0.47 | 0.40 | 0.37 | 0.40 |
| (Less) Amount recovered..... | 0.14 | 0.12 | 0.18 | 0.17 |
| Net bad debt loss..... | 0.33 | 0.28 | 0.19 | 0.23 |
| All other expenses..... | 1.70 | 1.02 | 1.28 | 1.33 |
| Total administrative and general expense | 10.80 | 9.50 | 8.01 | 8.90 |
| Total operating expenses..... | 22.86 | 20.61 | 18.66 | 19.95 |
| Net operating profit..... | 4.10 | 3.20 | 6.26 | 5.23 |
| Other trading income..... | 0.89 | 0.88 | 1.09 | 1.01 |
| Total net profit before income tax deduction | 4.99 | 4.08 | 7.35 | 6.24 |

1. Excludes amount attributed to real estate which is in occupancy expense.

TABLE 1. Operating Results of Automotive Parts and Accessories Wholesalers, by Size of Firm, 1949 - Concluded

| Item | Firms with 1949 sales of | | | Total, all sizes |
|--|--------------------------|------------------------------|-------------------------|------------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| MISCELLANEOUS DATA | | | | |
| Credit sales: | | | | |
| Average per firm..... \$ | 235,131 | 661,117 | 2,654,221 | 715,504 |
| Percent of total sales..... | 86.14 | 92.87 | 93.08 | 91.49 |
| Accounts outstanding: | | | | |
| Average per firm..... \$ | 31,696 | 57,583 | 290,372 | 79,194 |
| Percent of credit sales..... | 13.48 | 8.71 | 10.94 | 11.07 |
| Sales per 1,000 sq. ft. of floor space..... \$ | 48,936 | 66,448 | 78,569 | 66,493 |

TABLE 2. Operating Results of Automotive Parts and Accessories Wholesalers, by Regions, 1949

| Item | Maritimes and Quebec | Ontario | Prairies | British Columbia | Canada |
|---|-------------------------|--------------|--------------|---------------------|--------------|
| Number of firms..... | 17 | 30 | 9 | 5 | 61 |
| Average sales per firm..... \$ | 848,471 | 764,015 | 813,643 | 607,270 | 782,026 |
| PROFIT AND LOSS DATA (Percent of net sales) | | | | | |
| Gross profit | 23.07 | 25.74 | 27.29 | 25.76 | 25.18 |
| Operating expenses: | | | | | |
| Selling | 7.15 | 6.80 | 6.62 | 6.38 | 6.86 |
| Warehouse and delivery..... | 3.57 | 4.67 | 3.21 | 5.93 | 4.19 |
| Administrative and general..... | 8.98 | 8.29 | 9.70 | 11.20 | 8.90 |
| Total operating expenses..... | 19.70 | 19.76 | 19.53 | 23.51 | 19.95 |
| Net profit before other income or deduction of income tax..... | 3.37 | 5.98 | 7.76 | 2.25 | 5.23 |

TABLE 3. Range Figures for Main Operating Results Items, 1949

| Item | Firms with 1949 sales of | | | | | | Total, all sizes | |
|---|--------------------------|-----------------|---------------------------|-----------------|-------------------------|-----------------|------------------------|-----------------|
| | Under \$500,000 | | \$500,000 to \$999,999 | | \$1,000,000 and over | | | |
| | Average | Middle range | Average | Middle range | Average | Middle range | Average | Middle range |
| | (Percent of net sales) | | | | | | | |
| Gross profit..... | 27.0 | 24.9- 30.6 | 23.8 | 21.0-27.1 | 24.9 | 24.6-27.5 | 25.2 | 24.2-29.4 |
| Selling expense..... | 7.5 | 5.9-10.7 | 7.4 | 5.3- 9.1 | 6.5 | 5.0- 8.4 | 6.9 | 5.5- 9.6 |
| Warehouse and delivery expense | 4.6 | 2.7- 6.8 | 3.7 | 2.3- 6.5 | 4.1 | 3.4- 5.6 | 4.2 | 2.7- 6.2 |
| Administrative and general ex- pense | 10.8 | 8.7-12.2 | 9.5 | 7.2-12.2 | 8.0 | 7.3-11.7 | 8.9 | 8.3-12.2 |
| Net profit before other income or deduction of income tax..... | 4.1 | 1.0- 6.8 | 3.2 | 1.2- 5.9 | 6.3 | 3.6- 7.5 | 5.2 | 1.2- 6.2 |

Incorporated Companies 1949

All wholesalers in the two largest sales-size classes, and a large portion of the smaller firms, were incorporated companies. The results for these firms, therefore, are quite similar to the "all types" average.

Net operating profit of 5.27% of net sales was increased to 6.29% by other trading income. Income tax amounted to 2.27% of net sales and reduced the net profit of 6.29% to a final net profit of 4.02% of net sales.

Operating Results of Incorporated Automotive Parts and Accessories Wholesalers, by Size of Firm, 1949

| Item | Firms with 1949 sales of | | | Total, all sizes |
|---|--------------------------|------------------------------|-------------------------|------------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| | (Percent of net sales) | | | |
| Gross profit | 26.95 | 23.81 | 24.92 | 25.06 |
| Total operating expenses..... | 23.04 | 20.61 | 18.66 | 19.79 |
| Net operating profit | 3.91 | 3.20 | 6.26 | 5.27 |
| Other trading income..... | 0.92 | 0.88 | 1.09 | 1.02 |
| Total net profit before income tax deduction | 4.83 | 4.08 | 7.35 | 6.29 |
| Income tax..... | 1.50 | 1.34 | 2.76 | 2.27 |
| Final net profit..... | 3.33 | 2.74 | 4.59 | 4.02 |

Comparison of 1947 and 1949 Results

Reports were received from 68 firms in 1947 and 61 submitted reports on their 1949 operations. Of these, 42 firms reported for both years. Com-

parative results for all respondents, for the identical firms for the two years, are summarized below.

Operating Results of Automotive Parts and Accessories Wholesalers, 1947 and 1949 Compared

| Item | All respondents | | Identical firms | |
|---|-----------------|---------|-----------------|---------|
| | 1947 | 1949 | 1947 | 1949 |
| Number of firms | 68 | 61 | 42 | 42 |
| Average sales per firm | \$ 565,201 | 782,026 | 694,525 | 776,027 |
| (Percent of net sales) | | | | |
| Gross profit | 24.48 | 25.18 | 24.43 | 24.77 |
| Operating expenses: | | | | |
| Selling | 6.76 | 6.86 | 6.55 | 6.33 |
| Warehouse and delivery | 3.61 | 4.19 | 3.57 | 4.15 |
| Administrative and general | 8.37 | 8.90 | 8.13 | 8.57 |
| Total operating expenses | 18.74 | 19.95 | 18.25 | 19.05 |
| Net profit before other income or deduction of income tax | 5.74 | 5.23 | 6.18 | 5.72 |

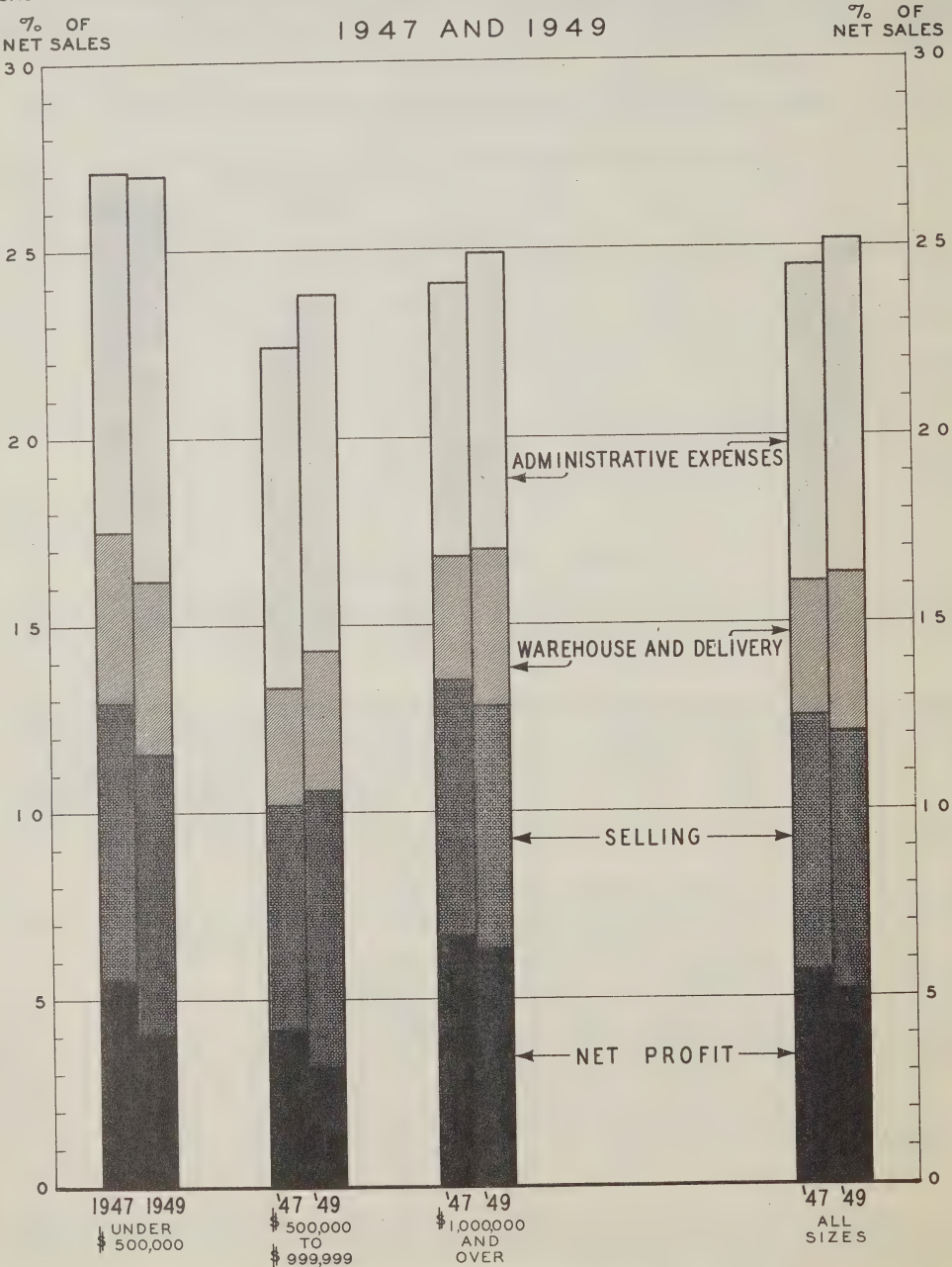
Gross profit increased slightly in 1949 to 25.18% of net sales from 24.48% in 1947. Operating expenses were 19.95% of sales in 1949 compared with 18.74%

in 1947 with the result that net profit was smaller than that obtained in 1947 — 5.23% and 5.74% of net sales respectively.

CHART I.

OPERATING RESULTS OF WHOLESALERS OF AUTOMOTIVE PARTS AND ACCESSORIES

GROSS PROFIT=NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES



HARDWARE

The reports of 57 wholesale hardware firms were used in preparing the results in this section.

Some general information on these firms is given below.

Description of Reporting Firms

| Item | Firms with 1949 sales of | | | | Total all sizes |
|--|--------------------------|------------------------|----------------------------|----------------------|-----------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 to \$4,999,999 | \$5,000,000 and over | |
| Number of firms..... | 16 | 14 | 20 | 7 | 57 |
| Form of organization: | | | | | |
| Individual proprietorship..... | 4 | 1 | 1 | — | 6 |
| Partnership..... | 3 | 1 | — | — | 4 |
| Incorporated company..... | 9 | 12 | 19 | 7 | 47 |
| Number of establishments operated: | | | | | |
| By single-establishment firms..... | 16 | 13 | 13 | 3 | 45 |
| By multiple-establishment firms..... | — | 3 | 16 | 22 | 41 |
| Distribution of sales: | | | | | |
| To retailers..... % | 83.48 | 73.50 | 76.68 | 78.55 | 77.70 |
| To other wholesalers and industries..... % | 5.59 | 12.35 | 17.99 | 19.47 | 18.02 |
| To contractors..... % | 10.13 | 14.15 | 3.07 | 1.98 | 2.39 |
| To others..... % | 0.80 | — | 2.26 | — | 1.89 |

All except 10 of the firms were incorporated companies and 45 of the 57 operated single establishments. The 12 multiple firms operated 41 establish-

ments. Sales to retailers formed 78% of total sales. The smaller firms sold more to contractors and less to other wholesalers than did the larger firms.

REVIEW OF 1949 RESULTS

Profit and Expense Ratios

Hardware wholesalers obtained average gross profits amounting to 19.26% of net sales on their 1949 operations. Administrative and general expenses were 7.06%, selling expense was 4.01% and ware-

house and delivery expense was 2.95% of net sales. Other income of 0.66% was added to net operating profit of 5.24% to give a net profit before income tax deduction amounting to 5.9% of net sales.

Inventories and Stock Turnover

Average inventories increased from \$419,408 at the beginning of 1949 to \$438,060 at the end of the year. The rate of stock turnover — average inventory

divided into cost of goods sold — ranged from 3.3 times to 5.4 times per year in the different size groups. The all-size average rate was 4.4 times during the year.

Credit Sales and Receivables

In 1949, credit sales formed 93.10% of total sales. The larger firms generally extended more credit than did the smaller companies but they also

had lower ratios of credit sales unpaid at the end of the year. Accounts receivable averaged 10.98% of the year's credit sales for all sizes combined.

Regional Results

Gross profit varied little from region to region. Operating expenses ranged from 13.38% of net sales in the Prairies to 16.31% in British Columbia with

the result that the Prairies obtained the highest net profit, at 6.38%, and British Columbia the lowest, at 2.72% of net sales. (See Table 5.)

Range Figures

Middle range figures are shown for all except the sales-size class of over \$5,000,000 where the number of reporting firms was small. These firms were included under "Total, all sizes". Average ratios appear in this table together with the middle

range figures. Gross profits for half of the firms centered on the median were within the limits of 19.0% and 21.8% of net sales. Net profits for the middle half of the reporting firms ranged from 2.7% to 6.5% of net sales. (See Table 6.)

TABLE 4. Operating Results of Hardware Wholesalers, by Size of Firm, 1949

| Item | Firms with 1949 sales of | | | | Total all sizes |
|--|--------------------------|------------------------|----------------------------|----------------------|-----------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 to \$4,999,999 | \$5,000,000 and over | |
| Number of firms..... | 16 | 14 | 20 | 7 | 57 |
| Average net sales per firm..... \$ | 259,527 | 751,281 | 2,221,180 | 10,476,692 | 2,323,346 |
| Average cost of goods sold..... \$ | 204,137 | 596,930 | 1,788,036 | 8,505,490 | 1,875,830 |
| Stock turnover (times per year)..... | 3.3 | 5.4 | 4.6 | 4.2 | 4.4 |
| Average beginning inventory..... \$ | 57,516 | 111,555 | 364,382 | 2,019,521 | 419,408 |
| Percent of sales..... | 22.16 | 14.85 | 16.40 | 19.28 | 18.05 |
| Average ending inventory..... \$ | 65,124 | 111,438 | 411,052 | 2,020,901 | 438,060 |
| Percent of sales..... | 25.09 | 14.83 | 18.50 | 19.29 | 18.85 |
| PROFIT AND LOSS DATA (Percent of net sales) | | | | | |
| Gross profit..... | 21.34 | 20.55 | 19.50 | 18.82 | 19.26 |
| Operating expenses: | | | | | |
| Selling expense: | | | | | |
| Salaries..... | 3.25 | 3.89 | 2.85 | 2.20 | 2.58 |
| Travelling..... | 0.84 | 0.90 | 0.78 | 0.88 | 0.85 |
| Advertising..... | 0.29 | 0.20 | 0.29 | 0.48 | 0.39 |
| Other selling expense..... | 0.34 | 0.18 | 0.21 | 0.17 | 0.19 |
| Total selling expense..... | 4.72 | 5.17 | 4.13 | 3.73 | 4.01 |
| Warehouse and delivery expense: | | | | | |
| Salaries and wages..... | 2.46 | 2.15 | 2.35 | 2.58 | 2.47 |
| Maintenance of delivery equipment..... | 0.31 | 0.48 | 0.21 | 0.09 | 0.17 |
| Outward freight, contract hauling..... | 0.24 | 0.15 | 0.15 | 0.17 | 0.16 |
| Warehouse supplies..... | 0.08 | 0.11 | 0.11 | 0.07 | 0.09 |
| Other warehouse and delivery expense..... | 0.08 | 0.02 | 0.06 | 0.07 | 0.06 |
| Total warehouse and delivery expense..... | 3.17 | 2.91 | 2.88 | 2.98 | 2.95 |
| Administrative and general expense: | | | | | |
| Salaries..... | 4.64 | 3.92 | 3.26 | 3.01 | 3.22 |
| Employees' benefits..... | 0.12 | 0.16 | 0.22 | 0.22 | 0.21 |
| Occupancy..... | 1.03 | 0.95 | 1.08 | 1.22 | 1.14 |
| Light, heat, and power..... | 0.24 | 0.13 | 0.14 | 0.12 | 0.13 |
| Taxes..... | 0.13 | 0.13 | 0.07 | 0.03 | 0.05 |
| Insurance..... | 0.23 | 0.19 | 0.13 | 0.06 | 0.10 |
| Office supplies..... | 0.34 | 0.25 | 0.27 | 0.28 | 0.28 |
| Postage, telegraph, telephone..... | 0.33 | 0.32 | 0.33 | 0.32 | 0.32 |
| Cash discounts allowed..... | 0.37 | 0.40 | 0.85 | 0.68 | 0.71 |
| Bad debts - amount written off..... | 0.12 | 0.35 | 0.22 | 0.20 | 0.21 |
| (Less) - Amount recovered..... | 0.03 | 0.07 | 0.13 | 0.11 | 0.11 |
| Net bad debt loss..... | 0.09 | 0.28 | 0.09 | 0.09 | 0.10 |
| All other expenses..... | 0.80 | 0.92 | 0.77 | 0.80 | 0.80 |
| Total administrative and general expense... | 8.32 | 7.65 | 7.21 | 6.83 | 7.06 |
| Total operating expenses..... | 16.21 | 15.73 | 14.22 | 13.54 | 14.02 |
| Net operating profit..... | 5.13 | 4.82 | 5.28 | 5.28 | 5.24 |
| Other trading income..... | 0.67 | 0.69 | 0.63 | 0.67 | 0.66 |
| Total netprofit before income tax deduction | 5.80 | 5.51 | 5.91 | 5.95 | 5.90 |

1. Excludes amount attributed to real estate which is in occupancy expense.

TABLE 4. Operating Results of Hardware Wholesalers, by Size of Firm, 1949 - Concluded

| Item | Firms with 1949 sales of | | | | Total all sizes |
|---|--------------------------|------------------------------|----------------------------------|-------------------------|-----------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 to \$4,999,999 | \$5,000,000 and over | |
| MISCELLANEOUS DATA | | | | | |
| Credit sales: | | | | | |
| Average per firm..... | \$ 211,437 | 696,362 | 1,972,630 | 10,140,390 | 2,163,035 |
| Percent of total sales..... | 81.47 | 92.69 | 88.81 | 96.79 | 93.10 |
| Accounts outstanding: | | | | | |
| Average per firm..... | \$ 27,487 | 84,329 | 221,132 | 1,069,811 | 237,501 |
| Percent of credit sales..... | 13.00 | 12.11 | 11.21 | 10.55 | 10.98 |
| Sales per 1,000 sq. ft. of floor space..... | \$ 36,295 | 44,560 | 40,195 | 45,003 | 43,339 |

TABLE 5. Operating Results of Hardware Wholesalers, by Regions, 1949

| Item | Maritimes and Quebec | Ontario | Prairies | British Columbia | Canada |
|--|----------------------|-----------|-----------|------------------|-----------|
| Number of firms..... | 18 | 20 | 12 | 7 | 57 |
| Average sales per firm..... \$ | 1,456,902 | 2,033,825 | 4,251,109 | 2,073,827 | 2,323,347 |
| PROFIT AND LOSS DATA (Percent of net sales) | | | | | |
| Gross profit..... | 19.34 | 18.67 | 19.76 | 19.03 | 19.26 |
| Operating expenses: | | | | | |
| Selling..... | 4.67 | 3.45 | 3.93 | 4.61 | 4.00 |
| Warehouse and delivery..... | 2.42 | 3.42 | 2.74 | 3.32 | 2.95 |
| Administrative and general..... | 7.33 | 6.90 | 6.71 | 8.38 | 7.07 |
| Total operating expense..... | 14.42 | 13.77 | 13.38 | 16.31 | 14.02 |
| Net profit before other income or deduction of income tax..... | 4.92 | 4.90 | 6.38 | 2.72 | 5.24 |

TABLE 6. Range Figures for Main Operating Results Items, 1949

| Item | Firms with 1949 sales of | | | | | | Total all sizes | |
|--|--------------------------|--------------|------------------------------|--------------|----------------------------------|--------------|-----------------------|--------------|
| | Under \$500,000 | | \$500,000 to \$999,999 | | \$1,000,000 to \$4,999,999 | | | |
| | Average | Middle range | Average | Middle range | Average | Middle range | Average | Middle range |
| Gross profit..... | 21.3 | 20.5—24.6 | 20.6 | 18.7—24.3 | 19.5 | 19.1—20.4 | 19.3 | 19.0—21.8 |
| Selling expense..... | 4.7 | 4.7— 9.0 | 5.2 | 3.5— 7.5 | 4.1 | 3.0— 5.0 | 4.0 | 3.3— 5.8 |
| Warehouse and delivery ex- pense..... | 3.2 | 1.9— 4.0 | 2.9 | 2.7— 3.7 | 2.9 | 2.3— 3.6 | 3.0 | 2.3— 3.6 |
| Administrative and general ex- pense..... | 8.3 | 7.1—10.9 | 7.7 | 6.4— 9.6 | 7.2 | 5.8— 8.9 | 7.1 | 6.2— 9.6 |
| Net profit before other income or deduction of income tax | 5.1 | 1.8— 7.2 | 4.8 | 2.7— 7.0 | 5.3 | 3.5— 6.6 | 5.2 | 2.7— 6.5 |

Incorporated Companies

Most of the reporting firms were incorporated companies, and the results shown in the following table are fairly similar to those for all types.

Net profit of 5.30% was raised to 5.97% of net sales before deduction of income tax by other trading income. Income tax amounted to 2.25% of net sales and reduced net profit to 3.72% of net sales.

Operating Results of Incorporated Hardware Wholesalers, by Size of Firm, 1949

| Item | Firms with 1949 sales of | | | | Total, all sizes |
|---|--------------------------|------------------------|----------------------------|----------------------|------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 to \$4,999,999 | \$5,000,000 and over | |
| | (Percent of net sales) | | | | |
| Gross profit..... | 22.55 | 20.80 | 19.65 | 18.82 | 19.32 |
| Operating expenses..... | 16.50 | 15.74 | 14.30 | 13.54 | 14.02 |
| Net operating profit..... | 6.05 | 5.06 | 5.35 | 5.28 | 5.30 |
| Other trading income..... | 0.93 | 0.64 | 0.65 | 0.67 | 0.67 |
| Net profit before income tax deduction..... | 6.98 | 5.70 | 6.00 | 5.95 | 5.97 |
| Income tax..... | 2.28 | 1.78 | 2.24 | 2.31 | 2.25 |
| Final net profit..... | 4.70 | 3.92 | 3.76 | 3.64 | 3.72 |

Comparison of 1947 and 1949 Results

A total of 46 firms reported to the 1947 survey and reports from 57 firms were used to compile 1949 results. There were 37 firms which reported for both years. Results for the two years are shown below for all respondents and for the 37 identical firms.

In 1949, gross profit decreased to 19.26% of net sales from the 1947 ratio of 20.14%. Operating expenses rose from 13.53% to 14.02% in 1949 to produce a reduced net profit of 5.24% of net sales. Net profit in 1947 was 6.61% of net sales.

Operating Results of Hardware Wholesalers, 1947 and 1949 Compared

| Item | All respondents | | Identical firms | |
|--|------------------------|-----------|-----------------|-----------|
| | 1947 | 1949 | 1947 | 1949 |
| Number of firms..... | 46 | 57 | 37 | 37 |
| Average sales..... \$ | 2,844,283 | 2,323,346 | 2,713,825 | 2,642,291 |
| | (Percent of net sales) | | | |
| Gross profit..... | 20.14 | 19.26 | 19.80 | 18.97 |
| Operating expenses: | | | | |
| Selling..... | 3.56 | 4.01 | 3.52 | 3.79 |
| Warehouse and delivery..... | 2.82 | 2.95 | 2.79 | 2.98 |
| Administrative and general..... | 7.15 | 7.06 | 7.11 | 7.05 |
| Total operating expenses..... | 13.53 | 14.02 | 13.42 | 13.82 |
| Net profit before other income or deduction of income tax..... | 6.61 | 5.24 | 6.38 | 5.15 |

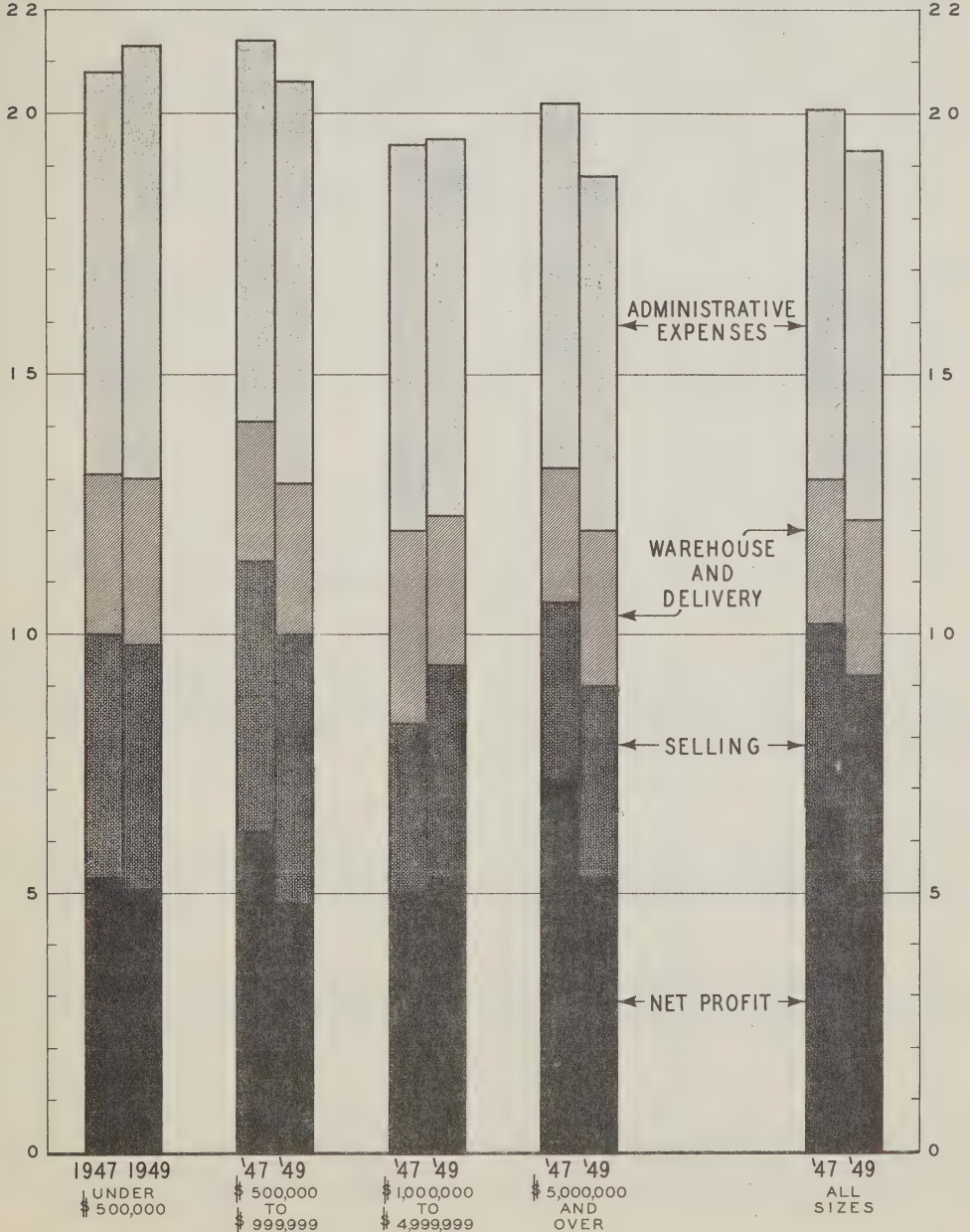
OPERATING RESULTS OF HARDWARE WHOLESALERS

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

% OF
NET SALES

1947 AND 1949

% OF
NET SALES



PLUMBING AND HEATING SUPPLIES

Information on some general characteristics of the 42 reporting firms in this trade is given below.

All except 4 of the reporting firms were incorporated companies. Six multiple firms operated 30 outlets for the distribution of goods. The two smaller

sales-size classes sold 87% and 89% of goods to contractors while the largest class sold 55% to contractors and 42% to other wholesalers and large users. All sizes combined to show that 58% of sales was made to contractors and 38% to other large users.

Description of Reporting Firms

| Item | Firms with 1949 sales of | | | Total, all sizes |
|---|--------------------------|------------------------------|-------------------------|------------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| Number of firms..... | 16 | 5 | 21 | 42 |
| Form of organization: | | | | |
| Individual proprietorship..... | 2 | — | — | 2 |
| Partnership..... | 2 | — | — | 2 |
| Incorporated company..... | 12 | 5 | 21 | 38 |
| Number of establishments operated: | | | | |
| By single-establishment firms..... | 16 | 5 | 15 | 36 |
| By multiple-establishment firms..... | — | — | 30 | 30 |
| Distribution of sales: | | | | |
| To contractors..... % | 87.29 | 89.07 | 54.54 | 57.69 |
| To other wholesalers and large users..... % | 5.09 | 3.24 | 42.01 | 38.46 |
| To consumer at retail..... % | 6.69 | 7.69 | 1.59 | 2.12 |
| To others..... % | 0.93 | — | 1.86 | 1.73 |

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios

Wholesalers of plumbing and heating supplies obtained an average gross profit of 19.07% of sales from their 1949 operations. Administrative and general expenses formed 6.97% of sales, or over half of total expenses. Selling expenses

were 2.55% and warehouse and delivery 2.38% of net sales. Net operating profit of 7.17% was augmented by other income to give a net profit before income tax deduction of 7.55% of net sales.

Inventories and Stock Turnover

Inventories at the end of 1949 increased to 12.92% of sales from 11.15% at the beginning. All size brackets

shared in this rise in inventory values. Stock was sold, and replaced on an average of 6.7 times during the year.

Credit Sales and Receivables

Approximately 94% of the year's sales was made on a credit basis, with the larger size classes extending a greater proportion of credit than firms with sales

of less than \$500,000. Accounts outstanding at the end of the year amounted to 11.70% of the year's credit sales.

Regional Results

Wholesalers of plumbing and heating supplies in the Maritimes obtained higher gross profits than those in the other regions of the country. The range of gross profit was confined within the limits of 19.15% in

the Maritimes and 18.83% of net sales in British Columbia. Wholesalers in the Prairie Provinces obtained the highest net profit—8.41% of net sales—and Ontario wholesalers the lowest—5.90%. (See Table 8.)

Range Figures

It was possible to show middle range figures for only two size classes, the number of reporting firms in the intermediate size class being too small. All reports were used in arriving at figures for all sizes combined. Average ratios as shown in Table 7 are

included in the table on middle range figures. Gross profits of the middle half of the reporting firms ranged between 16.0% and 20.3% of net sales with the average at 19.1%. Net profits for the middle 50% fell within the limits of 3.7% and 7.9% of net sales. (See Table 9.)

TABLE 7. Operating Results of Wholesalers of Plumbing and Heating Supplies, by Size of Firm, 1949

| Item | Firms with 1949 sales of | | | Total all sizes |
|---|--------------------------|------------------------|----------------------|-----------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| Number of firms..... | 16 | 5 | 21 | 42 |
| Average net sales per firm..... | 312,465 | 753,699 | 3,970,551 | 2,194,036 |
| Average cost of goods sold..... \$ | 253,336 | 624,289 | 3,209,533 | 1,775,595 |
| Stock turnover (times per year)..... | 7.2 | 8.7 | 6.6 | 6.7 |
| Average beginning inventory..... \$ | 30,258 | 61,318 | 451,740 | 244,697 |
| Percent of sales..... | 9.68 | 8.14 | 11.38 | 11.15 |
| Average ending inventory..... \$ | 40,210 | 81,915 | 517,089 | 283,615 |
| Percent of sales..... | 12.86 | 10.87 | 13.02 | 12.92 |
| PROFIT AND LOSS DATA (Percent of net sales) | | | | |
| Gross profit..... | 18.92 | 17.17 | 19.17 | 19.07 |
| Operating expenses: | | | | |
| Selling expense: | | | | |
| Salaries..... | 1.72 | 2.15 | 1.60 | 1.63 |
| Travelling..... | 0.48 | 0.41 | 0.59 | 0.58 |
| Advertising..... | 0.22 | 0.33 | 0.16 | 0.17 |
| Other selling expense..... | 0.28 | 1 | 0.18 | 0.17 |
| Total selling expense..... | 2.70 | 2.89 | 2.53 | 2.55 |
| Warehouse and delivery expense: | | | | |
| Salaries and wages..... | 2.14 | 1.01 | 1.63 | 1.64 |
| Maintenance of delivery equipment..... | 0.41 | 0.45 | 0.24 | 0.25 |
| Outward freight, contract hauling..... | 0.42 | 0.38 | 0.35 | 0.36 |
| Warehouse supplies..... | 0.04 | 0.05 | 0.11 | 0.10 |
| Other warehouse and delivery expense..... | 0.04 | 0.03 | 0.03 | 0.03 |
| Total warehouse and delivery expense..... | 3.05 | 1.92 | 2.36 | 2.38 |
| Administrative and general expense: | | | | |
| Salaries..... | 4.16 | 3.40 | 3.16 | 3.22 |
| Employees' benefits..... | 0.03 | 0.03 | 0.15 | 0.14 |
| Occupancy..... | 0.96 | 0.56 | 0.81 | 0.81 |
| Light, heat, and power..... | 0.11 | 0.10 | 0.14 | 0.13 |
| Taxes ¹ | 0.10 | 0.04 | 0.05 | 0.05 |
| Insurance ² | 0.19 | 0.08 | 0.11 | 0.11 |
| Office supplies..... | 0.24 | 0.19 | 0.25 | 0.25 |
| Postage, telegraph, telephone..... | 0.18 | 0.13 | 0.25 | 0.24 |
| Cash discounts allowed..... | 0.73 | 1.14 | 1.15 | 1.13 |
| Bad debts—amount written off..... | 0.80 | 0.11 | 0.20 | 0.24 |
| (Less) Amount recovered..... | 0.07 | 0.01 | 0.05 | 0.05 |
| Net bad debt loss..... | 0.73 | 0.10 | 0.15 | 0.19 |
| All other expenses..... | 0.55 | 0.56 | 0.72 | 0.70 |
| Total administrative and general expense.. | 7.98 | 6.33 | 6.94 | 6.97 |
| Total operating expenses..... | 13.73 | 11.14 | 11.83 | 11.90 |
| Net operating profit..... | 5.19 | 6.03 | 7.34 | 7.17 |
| Other trading income..... | 0.53 | 0.97 | 0.34 | 0.38 |
| Total net profit before income tax deduction | 5.72 | 7.00 | 7.68 | 7.55 |

1. Less than 0.005 percent.

2. Excludes amount attributed to real estate which is in occupancy expense.

TABLE 7. Operating Results of Wholesalers of Plumbing and Heating Supplies, by Size of Firm, 1949 - Concluded

| Item | Firms with 1949 sales of | | | Total all sizes |
|--|--------------------------|------------------------------|-------------------------|-----------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| MISCELLANEOUS DATA | | | | |
| Credit sales: | | | | |
| Average per firm..... \$ | 268,064 | 708,929 | 3,756,141 | 2,068,318 |
| Percent of total sales..... | 85.79 | 94.06 | 94.60 | 94.27 |
| Accounts outstanding: | | | | |
| Average per firm..... \$ | 30,854 | 69,688 | 442,849 | 241,993 |
| Percent of credit sales..... | 11.51 | 9.83 | 11.79 | 11.70 |
| Sales per 1,000 sq. ft. of floor space..... \$ | 43,225 | 99,731 | 46,835 | 48,202 |

TABLE 8. Operating Results of Wholesalers of Plumbing and Heating Supplies, by Regions, 1949

| Item | Maritimes and Quebec | Ontario | Prairies | British Columbia | Canada |
|--|----------------------|--------------|--------------|------------------|--------------|
| Number of firms..... | 13 | 17 | 7 | 5 | 42 |
| Average sales per firm..... \$ | 4,757,866 | 874,759 | 1,484,898 | 1,006,419 | 2,194,037 |
| PROFIT AND LOSS DATA (Percent of net sales) | | | | | |
| Gross profit..... | 19.15 | 18.89 | 18.97 | 18.83 | 19.07 |
| Operating expenses: | | | | | |
| Selling..... | 2.43 | 3.09 | 2.29 | 2.96 | 2.55 |
| Warehouse and delivery..... | 2.11 | 3.27 | 2.92 | 1.94 | 2.38 |
| Administrative and general..... | 7.27 | 6.63 | 5.35 | 7.62 | 6.97 |
| Total operating expenses..... | 11.81 | 12.99 | 10.56 | 12.52 | 11.90 |
| Net profit before other income or deduction of income tax..... | 7.34 | 5.90 | 8.41 | 6.31 | 7.17 |

TABLE 9. Range Figures for Main Operating Results Items, 1949

| Item | Firms with 1949 sales of | | | | Total all sizes | |
|--|--------------------------|-----------------|-------------------------|-----------------|-----------------------|-----------------|
| | Under \$500,000 | | \$1,000,000 and over | | | |
| | Average | Middle range | Average | Middle range | Average | Middle range |
| Gross profit..... | 18.9 | 16.4 — 22.0 | 19.1 | 17.3 — 20.3 | 19.1 | 16.0 — 20.3 |
| Selling expense..... | 2.7 | 2.0 — 4.3 | 2.5 | 2.2 — 3.1 | 2.6 | 2.0 — 3.1 |
| Warehouse and delivery expense..... | 3.1 | 2.5 — 3.7 | 2.4 | 2.0 — 3.5 | 2.3 | 2.0 — 3.5 |
| Administrative and general expense..... | 8.0 | 6.0 — 9.2 | 6.9 | 5.1 — 7.2 | 7.0 | 5.4 — 8.1 |
| Net profit before other income or deduction of income tax..... | 5.1 | 3.0 — 6.6 | 7.3 | 4.7 — 8.7 | 7.2 | 3.7 — 7.9 |

Incorporated Companies

The average profits and expenses of incorporated companies were very similar to the "all types" average because most firms were incorporated. Other

income of 0.37% was added to an operating profit of 7.19% and income tax amounting to 2.94% of net sales deducted to give a final net profit of 4.62% of net sales.

Operating Results of Incorporated Wholesalers of Plumbing and Heating Supplies, 1949

| Item | Firms with 1949 sales of | | | Total, all sizes |
|-----------------------------------|--------------------------|------------------------------|-------------------------|------------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| | (Percent of net sales) | | | |
| Gross profit..... | 18.80 | 17.17 | 19.17 | 19.07 |
| Total operating expenses..... | 13.85 | 11.14 | 11.83 | 11.88 |
| Net operating profit..... | 4.95 | 6.03 | 7.34 | 7.19 |
| Other trading income..... | 0.53 | 0.97 | 0.34 | 0.37 |
| Net profit before income tax..... | 5.48 | 7.00 | 7.68 | 7.56 |
| Income tax..... | 1.67 | 2.54 | 3.02 | 2.94 |
| Final net profit..... | 3.81 | 4.46 | 4.66 | 4.62 |

Comparison of 1947 and 1949 Results

Of the 29 firms which reported to the 1947 survey, 28 submitted reports for 1949. Total reports received on 1949 business operations numbered 42. Comparative results for the two years are shown be-

low for all respondents and for the 28 identical firms. Both gross and net profits in 1949 declined from 1947 levels while average sales per firm increased in dollar volume.

Operating Results of Wholesalers of Plumbing and Heating Supplies, 1947 and 1949 Compared

| Item | All respondents | | Identical firms | |
|---|------------------------|-------------|-----------------|-------------|
| | 1947 | 1949 | 1947 | 1949 |
| Number of firms | 29 | 42 | 28 | 28 |
| Average sales per firm | \$ 2, 187, 034 | 2, 194, 036 | 2, 170, 098 | 2, 603, 574 |
| | (Percent of net sales) | | | |
| Gross profit | 20.45 | 19.07 | 20.66 | 18.86 |
| Operating expenses: | | | | |
| Selling..... | 2.51 | 2.55 | 2.39 | 2.29 |
| Warehouse and delivery | 2.74 | 2.38 | 2.85 | 2.38 |
| Administrative and general..... | 6.34 | 6.97 | 6.37 | 6.68 |
| Total operating expenses..... | 11.59 | 11.90 | 11.61 | 11.35 |
| Net profit before other income or deduction of income tax | 8.86 | 7.17 | 9.05 | 7.51 |

CHART 3.

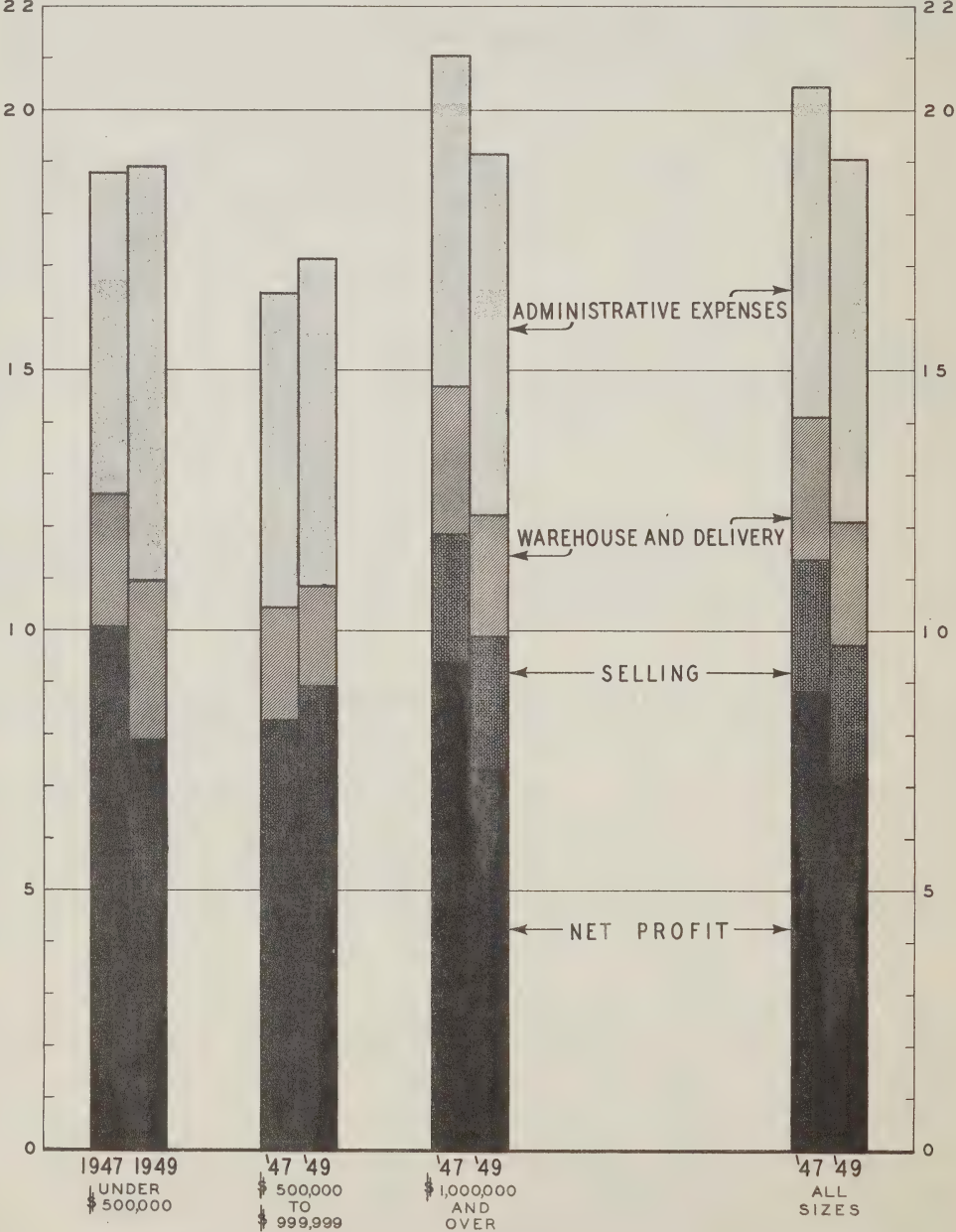
OPERATING RESULTS OF WHOLESALERS OF HEATING AND PLUMBING SUPPLIES

GROSS PROFIT = NET PROFIT + SELLING + WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

% OF
NET SALES
2 2

1947 AND 1949

% OF
NET SALES
2 2



DRUGS

The reports of 12 regular wholesalers and 5 cooperative wholesalers were used to obtain the results

for this trade. Some general characteristics of these firms are shown below.

Description of Reporting Firms

| Item | Regular wholesalers | | | Cooperative Wholesalers |
|---|--------------------------|----------------------|------------------|-------------------------|
| | Firms with 1949 sales of | | Total, all sizes | Total, all sizes |
| | Under \$1,000,000 | \$1,000,000 and over | | |
| Number of firms | 4 | 8 | 12 | 5 |
| Form of organization: | | | | |
| Individual proprietorship..... | — | — | — | — |
| Partnership..... | — | — | — | — |
| Incorporated company..... | 4 | 8 | 12 | 5 |
| Number of establishments operated: | | | | |
| By single-establishment firms..... | 4 | 4 | 8 | 5 |
| By multiple-establishment firms..... | — | 14 | 14 | — |
| Distribution of sales: | | | | |
| To retailers | % 91.06 | 89.50 | 89.60 | 100.0 |
| To other wholesalers and large users..... | % 8.94 | 10.50 | 10.40 | — |

All firms were incorporated companies and four of the regular wholesalers operated branch establishments. Approximately 90% of regular whole-

salers' business was to retailers while cooperative wholesalers sold entirely to their member retailers.

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios

Regular drug wholesalers operated on an average gross profit amounting to 12.48% of net sales in 1949. Administrative and general expenses of 5.74% formed more than half of total expenses. Warehouse and delivery expenses were 2.41% and selling expenses 1.76% of net sales. Net operating profit of 2.57% was increased by 0.24% other income to give a net profit before income tax deduction of 2.81%.

Income tax reduced this to 1.75% of net sales. Cooperative wholesalers operated on margins only sufficient to meet operating expenses. Gross profit of 6.67% was reduced to an operating loss of 0.86% when operating expenses formed 7.53% of net sales. Other income offset this loss, but income tax deduction resulted in an average loss of 0.03% of net sales.

Inventories and Stock Turnover

Regular drug wholesalers carried more stock in relation to sales than did cooperative wholesalers which caused a slower rate of stock turnover. They

sold and replaced their stock 5.6 times during the year compared with the cooperative wholesalers' rate of 13.5 times.

Credit Sales and Receivables

Credit sales of regular drug wholesalers in 1949 formed 93% of total sales. Accounts receivable at the end of the year were 7.74% of the year's credit sales. The larger size class had 8.04% credit sales

outstanding and the smaller 3.58%. Too few cooperative wholesalers reported information on their credit activities to permit publication of these data.

TABLE 10. Operating Results of Drug Wholesalers, by Size of Firm, 1949

| Item | Regular wholesalers | | | Cooperative wholesalers |
|---|--------------------------|----------------------|-----------------|-------------------------|
| | Firms with 1949 sales of | | Total all sizes | Total all sizes |
| | Under \$1,000,000 | \$1,000,000 and over | | |
| Number of firms..... | 4 | 8 | 12 | 5 |
| Average net sales per firm..... \$ | 534,466 | 4,098,925 | 2,910,772 | 4,409,299 |
| Average cost of goods sold..... \$ | 448,758 | 3,596,684 | 2,547,376 | 4,115,090 |
| Stock turnover (times per year)..... | 5.9 | 5.6 | 5.6 | 13.5 |
| Average beginning inventory..... \$ | 74,748 | 629,036 | 444,274 | 297,933 |
| Percent of sales..... | 13.98 | 15.35 | 15.26 | 6.76 |
| Average ending inventory..... \$ | 77,030 | 654,733 | 462,165 | 310,894 |
| Percent of sales..... | 14.41 | 15.97 | 15.88 | 7.05 |
| PROFIT AND LOSS DATA (Percent of net sales) | | | | |
| Gross profit..... | 16.04 | 12.25 | 12.48 | 6.67 |
| Operating expenses: | | | | |
| Selling expense: | | | | |
| Salaries..... | 3.39 | 1.04 | 1.19 | 0.36 |
| Travelling..... | 1.23 | 0.38 | 0.43 | 0.09 |
| Advertising..... | 0.20 | 0.08 | 0.09 | 0.11 |
| Other selling expense..... | 0.01 | 0.06 | 0.05 | 0.08 |
| Total selling expense..... | 4.83 | 1.56 | 1.76 | 0.64 |
| Warehouse and delivery expense: | | | | |
| Salaries and wages..... | 1.95 | 1.92 | 1.92 | 1.45 |
| Maintenance of delivery equipment..... | 0.13 | 0.25 | 0.24 | 0.10 |
| Outward freight, contract hauling..... | 0.80 | 0.09 | 0.13 | 0.05 |
| Warehouse supplies..... | 0.08 | 0.09 | 0.09 | 0.11 |
| Other warehouse and delivery expense..... | 0.34 | 0.01 | 0.03 | 0.02 |
| Total warehouse and delivery expense..... | 3.30 | 2.36 | 2.41 | 1.73 |
| Administrative and general expense: | | | | |
| Salaries..... | 4.53 | 2.81 | 2.92 | 3.85 |
| Employees' benefits..... | 0.13 | 0.41 | 0.39 | 0.23 |
| Occupancy..... | 0.92 | 0.68 | 0.69 | 0.48 |
| Light, heat, and power..... | 0.14 | 0.13 | 0.13 | 0.06 |
| Taxes ¹ | 0.09 | 0.11 | 0.11 | 0.01 |
| Insurance ¹ | 0.23 | 0.10 | 0.11 | 0.05 |
| Office supplies..... | 0.21 | 0.17 | 0.17 | 0.15 |
| Postage, telegraph, telephone..... | 0.26 | 0.23 | 0.24 | 0.10 |
| Cash discounts allowed..... | 0.29 | 0.10 | 0.11 | 0.06 |
| Bad debts—amount written off..... | 0.12 | 0.06 | 0.06 | — |
| (Less) — Amount recovered..... | 0.01 | 0.02 | 0.01 | — |
| Net bad debt loss..... | 0.11 | 0.04 | 0.05 | — |
| All other expenses..... | 0.60 | 0.84 | 0.82 | 0.17 |
| Total administrative and general expense..... | 7.51 | 5.62 | 5.74 | 5.16 |
| Total operating expenses..... | 15.64 | 9.54 | 9.91 | 7.53 |
| Net operating profit..... | 0.40 | 2.71 | 2.57 | 0.86(L) |
| Other trading income..... | 0.57 | 0.22 | 0.24 | 0.86 |
| Total net profit before income tax deduction..... | 0.97 | 2.93 | 2.81 | — |
| Income tax..... | 0.30 | 1.10 | 1.06 | 0.03 |
| Final net profit..... | 0.67 | 1.83 | 1.75 | 0.03(L) |
| MISCELLANEOUS DATA | | | | |
| Credit sales: | | | | |
| Average per firm..... \$ | 493,205 | 3,808,721 | 2,703,525 | |
| Percent of total sales..... | 92.28 | 92.92 | 92.88 | Too |
| Accounts outstanding: | | | | |
| Average per firm..... \$ | 17,657 | 306,221 | 209,253 | Few |
| Percent of credit sales..... | 3.58 | 8.04 | 7.74 | |
| Sales per 1,000 sq. ft. of floor space..... \$ | 49,179 | 69,011 | 67,321 | Reported |

1. Excludes amount attributed to real estate which is in occupancy expense.

(L) Operating loss.

Results for 1947 and 1949 Compared

Seventeen regular wholesalers reported to the 1947 survey and 12 to the 1949 study. The 5 cooperative drug wholesalers reported for both years. The comparison of the results for the two years for each type of wholesaler is given below.

Gross profits changed little from 1947 to 1949. Regular wholesalers reduced their operating expenses

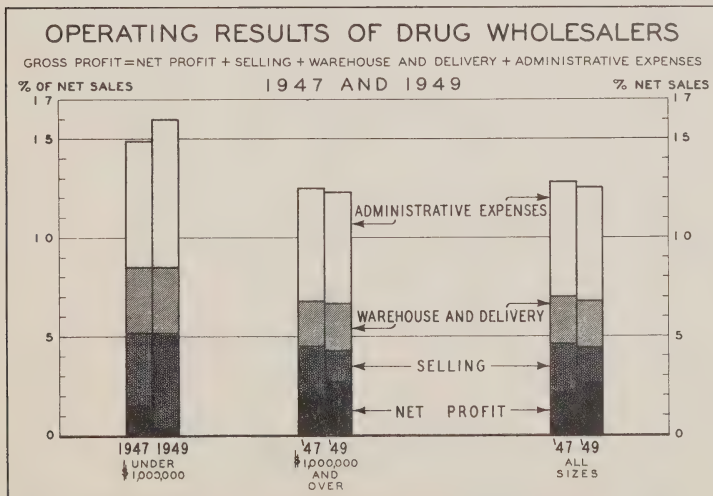
in 1949 in proportion to sales to net a profit before other income was added or income tax deducted amounting to 2.57% of net sales. Cooperative wholesalers had greater expenses in 1949 with a greater average gross profit to give a net loss of 0.86% compared with one of 0.72% of sales in 1947. This loss was before addition of other income or deduction of income tax.

Operating Results of Drug Wholesalers, 1947 and 1949 Compared

| Item | Regular wholesalers | | Cooperative wholesalers | |
|--|------------------------|-------------|-------------------------|-------------|
| | 1947 | 1949 | 1947 | 1949 |
| Number of firms..... | 17 | 12 | 5 | 5 |
| Average sales per firm..... | \$1,708,415 | \$2,910,772 | \$3,484,539 | \$4,409,299 |
| | (Percent of net sales) | | | |
| Gross profit..... | 12.77 | 12.48 | 6.08 | 6.67 |
| Operating expenses: | | | | |
| Selling..... | 2.44 | 1.76 | 0.40 | 0.64 |
| Warehouse and delivery..... | 2.42 | 2.41 | 1.07 | 1.73 |
| Administrative and general..... | 5.76 | 5.74 | 5.33 | 5.16 |
| Total operating expenses..... | 10.62 | 9.91 | 6.80 | 7.53 |
| Net profit before other income or deduction of income tax..... | 2.15 | 2.57 | 0.72(L) | 0.86(L) |

(L) Operating Loss.

CHART 4



D-42

GOVERNMENT OF CANADA

OPERATING RESULTS
OF
MISCELLANEOUS WHOLESALERS
1951



EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1953

**OPERATING RESULTS
OF
MISCELLANEOUS WHOLESALERS
1951**

**Automotive Parts and Accessories - Hardware
Plumbing and Heating Supplies - Drugs**

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Ottawa

NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 4 volumes, as follows: **Volume I**—The Primary Industries, including mining, forestry and fisheries; **Volume II**—Manufacturing; **Volume III**—Construction; **Volume IV**—Merchandising and Services.

Volume IV consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢.
- B — Operating Results of Food Wholesalers, 25¢.
- C — Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers, 25¢.
- D — Operating Results of Miscellaneous Wholesalers, (Automotive parts and accessories, drugs, hardware, plumbing and heating equipment), 25¢.

Part II — Retail Statistics

- E — General Review, 25¢.
- F — Retail Trade, 25¢.
- G — Retail Chain Stores, 25¢.
- H — Operating Results of Chain Food Stores, 25¢.
- I — Operating Results of Chain Clothing Stores, 25¢.
- J — Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢.
- *K — Operating Results of Retail Food Stores, 25¢.
- *L — Operating Results of Retail Clothing Stores, 25¢.
- *M — Operating Results of Retail Hardware, Furniture, Appliance and Radio Stores, 25¢.
- *N — Operating Results of Filling Stations and Garages, 25¢.
- *O — Operating Results of Miscellaneous Retail Stores, 25¢.
- P — Retail Consumer Credit, 25¢.

Part III — Service and Special Fields

- Q — Laundries, Cleaners and Dryers, 25¢.
- R — Motion Picture Theatres, Exhibitors, and Distributors, 25¢.
- S — Hotels, 25¢.
- T — Sales Financing, 25¢.
- U — Farm Implement and Equipment Sales, 25¢.
- V — New Motor Vehicle Sales and Motor Vehicle Financing 25¢.
- W — Advertising Agencies (Memorandum) 25¢.

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1951.

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OPERATING RESULTS -- LIST OF REPORTS

WHOLESALE TRADE (1947, 1949 and 1951)

1. Food Wholesalers
2. Dry Goods, Piece Goods, Footwear Wholesalers
3. Miscellaneous Wholesalers (Automotive Parts and Accessories, Hardware, Plumbing and Heating Supplies, Drugs)

INDEPENDENT RETAIL STORES (1944, 1945, 1946, 1948 and 1950)

1. Food Stores
2. Clothing Stores
3. Hardware, Furniture, Household Appliance and Radio Stores
4. Filling Stations and Garages
5. Miscellaneous Stores (County General, Restaurants, Fuel, Drugs, Jewellery, Tobacco Stores)

RETAIL CHAIN STORES (1947, 1949 and 1951)

1. Food Store Chains
2. Clothing Store Chains
3. Miscellaneous Chain Stores (Variety, Furniture, Drugs)

OPERATING RESULTS OF MISCELLANEOUS WHOLESALERS 1951

INTRODUCTION

The following explanatory notes described certain features of the operating results series contained in this report.

Scope

This study is confined to wholesalers proper, i.e. those wholesalers performing and full selling, warehousing and delivery functions. Agents, brokers, drop shippers and other specialized types of wholesale distributor are not included. Four separate trades are covered—automotive parts and accessories, hardware, plumbing and heating supplies, and drugs.

Content

Most emphasis has been placed on the presentation of profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size ranges. Operating expenses appear separately for selling, warehouse and delivery, and administrative and general departments. The customary profit and loss details are supplemented by information on other related operating features including inventories, rate of stock turnover, credit sales and receivables, and floor space used. Wherever possible, a table showing regional figures has been prepared. Reports from Newfoundland wholesalers are not included in this survey. Proprietors' salaries were included with administrative salaries. An income tax tabulation was made for incorporated companies only. Middle range figures for gross and net profits, and for three main functional divisions of expense, introduced in 1949, are contained in this report. Results for one-half of all firms fell within the range shown for each item, while one-quarter of the firms fell on either side of the range limits indicated. Because each item was treated singly, the sum of net profit and the expense items does not necessarily equal gross profit in those tables showing middle range data.

Purpose

The primary purpose of the operating cost surveys is to provide averages on the different phases of business operation against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

Period Covered

This report deals largely with 1951 operations and is the third biennial publication in a series begun in 1947. Certain summary tables show identical firm results for 1949 and 1951. The charts show the gross profit components for 1947, 1949 and 1951 by suitable sales size classifications for each trade.

SUMMARY OF 1951 RESULTS BY TRADES

The following summary table shows the principal operating results figures for the four kinds of wholesale business covered in this report. In analyzing the performance of an individual wholesale company,

reference should be made to the more detailed tables appearing in the appropriate sections of this report. In these tables, variations arising from differences in sales size and geographic locations are revealed.

Operating Results of Wholesalers of Automotive Parts and Accessories, Hardware, Plumbing and Heating Supplies and Drugs, 1951

| Item | Automotive Parts and Accessories | Hardware | Plumbing and Heating Supplies | Drugs |
|---|--|--------------|-------------------------------------|--------------|
| Number of firms | 59 | 54 | 38 | 16 |
| Average net sales per firm | 767,026 | 3,190,578 | 1,829,566 | 2,947,348 |
| Stock turnover (times per year) | 4.54 | 3.86 | 6.77 | 5.60 |
| (Per cent of net sales) | | | | |
| Gross Profit | 25.29 | 20.49 | 17.78 | 13.43 |
| Operating expenses: | | | | |
| Selling expense | 7.31 | 4.00 | 2.98 | 2.18 |
| Warehouse and delivery expense | 3.84 | 2.80 | 2.43 | 2.68 |
| Administrative and general expense | 9.32 | 5.96 | 6.56 | 6.09 |
| Total operating expenses | 20.47 | 13.76 | 11.97 | 10.95 |
| Net operating profit | 4.82 | 6.73 | 5.81 | 2.48 |
| Other trading income | 0.89 | 0.40 | 0.81 | 1.20 |
| Miscellaneous expense | 0.58 | 0.36 | 0.10 | 0.13 |
| Net profit before income tax deduction | 5.13 | 6.77 | 6.52 | 3.55 |
| Credit sales | 91.45 | 96.18 | 93.73 | 97.27 |
| Sales to retailers | 55.43 | 63.09 | 80.07 | 91.46 |

Extreme caution should be observed to avoid comparing absolute dollar values (average sales, cost of goods etc.) published in this report, with corresponding items of individual establishments or firms. These values are averages of items reported by both single and multiple establishment firms and are "firm" averages, not "establishment" averages. Consequently, a concentration of multiple establishment firms in a specific trade will result in an abnormal average for that trade. Ratios, however, may be used with a high degree of reliability when applied to either an establishment or a firm. The survey was designed primarily to obtain operating ratios to which both single and multiple establishment firms might compare their operating results. Absolute values are shown only for the purpose of assisting the wholesaler to place his firm in relation to the average, in the appropriate sales size category.

Average sales ranged upwards from \$767,026 for automotive parts and accessories wholesalers to \$1,829,566, \$2,947,348 and \$3,190,578 for plumbing and heating supplies, drug, and hardware wholesalers respectively. Differences in average sales

were primarily due to peculiarities of each specific trade, with respect to both kinds of goods sold and number of establishments per firm. The interrelationship of stock turnover ratios differed greatly from the sales range in that hardware wholesalers, who obtained the highest average sales, showed the lowest rate of stock turnover, 3.86. Similarly, plumbing and heating supplies wholesalers, showing the second lowest average sales, obtained the highest stock turnover ratio of 6.77. Automotive parts and accessories wholesalers operated on the highest gross profit or mark-up ratio and drug wholesalers on the lowest. High operating expense ratios of the automotive parts and accessories wholesalers reduced their gross profit ratio of 25.29% to a net profit of 4.82%, exceeding only the drug wholesalers ratio of 2.48%. Hardware wholesalers netted the most favourable operating profit ratio of 6.73%. Average credit sales, expressed as a proportion of average net sales, indicated that drug wholesalers ratio of 97.27% was the highest and automotive parts and accessories wholesalers ratio of 91.45% was the lowest. Drug wholesalers sold a larger proportion of their merchandise to retailers than did the other three trades.

AUTOMOTIVE PARTS AND ACCESSORIES WHOLESALERS

Description of Reporting Firms

| Item | Firms with 1951 sales of | | | Total all sizes |
|---------------------------------------|--------------------------|------------------------|----------------------|-----------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| Number of firms | 32 | 17 | 10 | 59 |
| Form of organization: | | | | |
| Individual proprietorship..... | 7 | — | — | 7 |
| Partnership..... | 6 | 1 | — | 7 |
| Incorporated company | 19 | 16 | 10 | 45 |
| Number of firms operated as: | | | | |
| Single establishment | 28 | 10 | 7 | 45 |
| Multiple establishment | 4 | 7 | 3 | 14 |
| Distribution of sales: | | | | |
| To garages and filling stations | 54.62 | 53.16 | 56.78 | 55.43 |
| To other wholesalers..... | 32.11 | 27.32 | 20.33 | 24.37 |
| To industry and large users | 7.65 | 17.49 | 10.17 | 11.59 |
| To others..... | 5.62 | 2.03 | 12.72 | 8.61 |

Of the 59 firms reporting, 45 were incorporated, and the remaining 14 were comprised of seven individual proprietorships and seven partnerships. Only 14 of the 59 firms operated more than one establishment. Sales distribution figures indicate

that sales to garages and filling stations and to other wholesalers accounted for 55% and 24% of net sales, respectively. Sales to industrial and large users made up 12% of the 21% unaccounted for portion of net sales.

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple estab-

lishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Automotive accessories and supplies wholesalers obtained an average gross profit ratio or margin of 25.29 per cent of average net sales. Gross profit ratios for the three typical sales size categories ranged from 23.70% to 27.89% in the middle the smallest categories respectively. Total operating expense averaged 20.47% and ranged from 19.42% to 23.96%, again in the middle and smallest categories respectively. Selling expense ratios remained at much the same level for each sales size and averaged 7.31%. Warehouse and delivery expense, showing an average of 3.81%, increased from 3.50% and 3.65% in the largest and middle sales size groups, to 5.02% in the smallest category. Similarly, administrative and general expense ratios showed a close relationship in the largest and middle categories, 8.90% and 8.79% respectively, but increased to 11.22% in the smallest sales size group. This expense classification averaged 9.32% and accounted for almost half of total operating expense. Net operating profit ratios varied directly with the sales size classifications and averaged 4.82%.

Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of responding firms, increased from 15.29% at the beginning of the year, to 17.63% at the end of the year. This trend was common to all three sales size categories as well as to the

1949 survey results. The rate of stock turnover—average of beginning and ending inventories divided into cost of goods sold—was 4.54 for all wholesalers of automotive parts and accessories, almost of the same order as the 1949 rate.

Credit Sales and Receivables

Credit sales, expressed as a proportion of net sales, was 91.45% for all automotive parts and accessories wholesalers, a negligible decline from the 1949 rate. Accounts outstanding, as at December

31, 1951, averaged 12.05% of credit sales with the largest and smallest proportions occurring in the first and second sales size categories, respectively.

TABLE 1. Operating Results of Automotive Parts and Accessories Wholesalers, 1951, By Size of Firm

| Item | Firms with 1951 sales of | | | Total all sizes |
|---|--------------------------|------------------------|----------------------|-----------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| Number of firms reporting | 32 | 17 | 10 | 59 |
| Average net sales per firm \$ | 274,503 | 755,251 | 2,363,132 | 767,026 |
| Average cost of goods sold..... \$ | 197,943 | 576,264 | 1,767,938 | 573,050 |
| Stock turnover (time per year)..... | 3.65 | 5.25 | 4.59 | 4.54 |
| Average beginning inventory..... \$ | 50,087 | 101,911 | 358,529 | 117,297 |
| Per cent of average net sales..... | 18.25 | 13.49 | 15.17 | 15.29 |
| Average ending inventory \$ | 58,284 | 117,587 | 411,333 | 135,209 |
| Per cent of average net sales..... | 21.23 | 15.57 | 17.41 | 17.63 |
| Profit and Loss Data | | | | |
| (Per cent of net sales) | | | | |
| Gross Profit | 27.89 | 23.70 | 25.19 | 25.29 |
| Operating expenses: | | | | |
| Selling expense: | | | | |
| Salaries | 5.11 | 4.49 | 5.32 | 5.05 |
| Traveling | 1.21 | 1.30 | 0.60 | 0.92 |
| Advertising | 0.71 | 0.40 | 0.56 | 0.54 |
| Other selling expense | 0.69 | 0.79 | 0.86 | 0.80 |
| Total selling expense | 7.72 | 6.98 | 7.34 | 7.31 |
| Warehouse and delivery expense: | | | | |
| Salaries and wages..... | 3.76 | 2.69 | 2.45 | 2.77 |
| Maintenance of delivery equipment | 0.44 | 0.44 | 0.30 | 0.37 |
| Outward freight..... | 0.43 | 0.24 | 0.52 | 0.42 |
| Warehouse supplies | 0.19 | 0.15 | 0.12 | 0.14 |
| Other warehouse and delivery expense..... | 0.20 | 0.13 | 0.11 | 0.14 |
| Total warehouse and delivery expense | 5.02 | 3.65 | 3.50 | 3.84 |
| Administrative and general expense: | | | | |
| Salaries | 5.60 | 4.17 | 4.21 | 4.47 |
| Employees' benefits..... | 0.25 | 0.30 | 0.49 | 0.39 |
| Occupancy | 1.85 | 1.03 | 1.02 | 1.18 |
| Light, heat, and power..... | 0.41 | 0.24 | 0.16 | 0.23 |
| Taxes ¹ | 0.14 | 0.11 | 0.18 | 0.16 |
| Insurance ¹ | 0.31 | 0.30 | 0.22 | 0.26 |
| Office supplies | 0.43 | 0.39 | 0.47 | 0.44 |
| Communication | 0.55 | 0.75 | 0.45 | 0.56 |
| Bad debts—amount written off | 0.38 | 0.44 | 0.50 | 0.46 |
| All other expense | 1.30 | 1.06 | 1.20 | 1.17 |
| Total administrative and general expense | 11.22 | 8.79 | 8.90 | 9.32 |
| Total operating expenses | 23.96 | 19.42 | 19.74 | 20.47 |

1. Excludes amount attributed to real estate which is in occupancy expense.

TABLE 1. Operating Results of Automotive Parts and Accessories Wholesalers, 1951, By Size of Firm — Concluded

| Item | Firms with 1951 sales of | | | Total all sizes |
|---|--------------------------|------------------------|----------------------|-----------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| Net operating profit | 3.93 | 4.28 | 5.45 | 4.82 |
| Other trading income | 0.82 | 1.00 | 0.86 | 0.89 |
| Miscellaneous expense | 0.53 | 0.36 | 0.72 | 0.58 |
| Net profit before income tax deduction | 4.22 | 4.92 | 5.59 | 5.13 |
| Miscellaneous Data | | | | |
| Credit sales: | | | | |
| Average per firm | \$ 240,080 | 7 15,902 | 2, 142,652 | 70 1,445 |
| Per cent of average net sales..... | 87.46 | 94.79 | 90.67 | 91.45 |
| Accounts outstanding: | | | | |
| Average per firm | \$ 29,698 | 84,047 | 260,761 | 84,524 |
| Per cent of average credit sales | 12.37 | 11.74 | 12.17 | 12.05 |
| Sales per 1,000 sq. ft. of floor space | \$ 37,180 | 49,268 | 71,150 | 53,729 |

(1) Excludes amount attributed to real estate which is in occupancy expense.

Regional Results

Gross trading profit ratios of automotive parts and accessories wholesalers in the four major regions of Canada, ranged from 24.03% in the Maritimes and Quebec to 27.19% in British Columbia. The Maritimes and Quebec and British Columbia wholesalers also showed the lowest and the highest

total operating expense ratios, 19.32% and 23.02% respectively. The highest net operating profit ratio of 5.90% was obtained by Prairie Province wholesalers, 22% above the ratio of 4.82% shown for all wholesalers.

TABLE 2. Operating Results of Automotive Parts and Accessories Wholesalers, 1951, by Regions

| Item | Maritimes and Quebec | Ontario | Prairie Provinces | British Columbia | Canada |
|---|----------------------|--------------|-------------------|------------------|--------------|
| Number of firms | 18 | 24 | 12 | 5 | 59 |
| Average sales per firm | \$ 996,363 | 529,014 | 909,913 | 740,975 | 767,026 |
| Profit and Loss Data | | | | | |
| (Per cent of net sales) | | | | | |
| Gross profit | 24.03 | 25.15 | 26.87 | 27.19 | 25.29 |
| Operating expenses: | | | | | |
| Selling expense | 7.26 | 6.72 | 8.31 | 6.64 | 7.31 |
| Warehouse and delivery expense..... | 3.48 | 4.04 | 3.59 | 5.61 | 3.84 |
| Administrative and general expense..... | 8.58 | 10.14 | 9.07 | 10.77 | 9.32 |
| Total operating expenses | 19.32 | 20.90 | 20.97 | 23.02 | 20.47 |
| Net operating profit | 4.71 | 4.25 | 5.90 | 4.17 | 4.82 |

Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary con-

siderably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered, the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 3. Average and Middle Range Ratios of Automotive Parts and Accessories Wholesalers, 1951

| Item | Firms with 1951 sales of | | | | | | Total, all sizes | |
|---|--------------------------|-----------------|------------------------------|-----------------|-------------------------|-----------------|------------------------|-----------------|
| | Under \$500,000 | | \$500,000 to \$999,999 | | \$1,000,000 and over | | | |
| | Average | Middle range | Average | Middle range | Average | Middle range | Average | Middle range |
| Gross profit | 27.8 | 25.6—31.8 | 23.7 | 19.6—27.0 | 25.2 | 22.2—27.7 | 25.2 | 23.1—29.8 |
| Selling expense..... | 7.7 | 5.5— 9.8 | 7.0 | 4.3— 9.9 | 7.3 | 4.8— 8.9 | 7.3 | 4.8— 9.0 |
| Warehouse and delivery expense | 5.0 | 1.7— 7.0 | 3.7 | 2.0— 6.6 | 3.5 | 2.7— 5.1 | 3.8 | 2.0— 6.6 |
| Administrative and general expense | 11.2 | 9.4—14.4 | 8.7 | 6.7—11.9 | 8.9 | 8.2—10.4 | 9.3 | 8.2—13.0 |
| Net operating profit | 3.9 | 0.9— 5.9 | 4.3 | 2.3— 7.0 | 5.5 | 2.8— 7.1 | 4.8 | 2.2— 6.0 |

Incorporated Companies 1951

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the difference in the ratios were negligible. Net profit before income tax, expressed as a portion of

net sales, was 5.18% and 5.13% for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms profit ratio of 5.18% to 2.76%, a decrease of 47%.

TABLE 4. Operating Results of Incorporated Automotive Parts and Accessories Wholesalers, 1951, By Size of Firm

| Item | Firms with 1951 sales of | | | Total, all sizes |
|--|--------------------------|------------------------------|-------------------------|------------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| (Per cent of net sales) | | | | |
| Gross profit | 28.30 | 23.87 | 25.19 | 25.24 |
| Operating expenses..... | 24.45 | 19.50 | 19.74 | 20.34 |
| Net operating profit..... | 3.85 | 4.37 | 5.45 | 4.90 |
| Other trading income | 0.82 | 0.99 | 0.86 | 0.90 |
| Miscellaneous expense..... | 0.73 | 0.37 | 0.72 | 0.62 |
| Net profit before income tax deduction | 3.94 | 4.99 | 5.59 | 5.18 |
| Income tax | 1.34 | 2.38 | 2.72 | 2.42 |
| Final net profit | 2.60 | 2.61 | 2.87 | 2.76 |

Comparison of 1949 and 1951 Identical Firm Results

The 1949 results of all respondents included returns from 16 multiple establishment firms, whereas the 1951 survey included the returns of only 14 such firms. The result was a decrease in the 1951 average net sales per firm. Comparison of the identical firm data shows that average net sales per firm actually increased in 1951. Consequently, the decrease experienced in average net sales tends to overemphasize operating ratio increases and diminish operating ratio declines from 1949 to 1951. This circumstance is revealed in the following table of comparison of identical firm results. Comparison

of the results of all respondents shows an increase in the gross profit ratio whereas there was actually a slight decrease, as shown by the identical firm comparison. Similarly, total operating expense ratios of all respondents show an increase from 19.95% to 20.47%, but actually a decline from 21.17% to 20.38% occurred. Because the net operating profit ratio is obtained by subtraction, the converse situation occurred. Results of all respondents showed a decline whereas the results of identical firms indicated a slight gain in the net operating profit ratio.

**TABLE 5. Operating Results of Automotive Parts and Accessories Wholesalers
1949 and 1951 Compared**

| Item | All respondents | | Identical firms | |
|--|-----------------|---------|-----------------|---------|
| | 1949 | 1951 | 1949 | 1951 |
| Number of firms..... | 61 | 59 | 44 | 44 |
| Average sales per firm..... \$ | 782,026 | 767,026 | 687,207 | 873,196 |
| Gross profit..... | 25.18 | 25.29 | 25.87 | 25.31 |
| Operating expenses: | | | | |
| Selling expense..... | 6.86 | 7.31 | 7.18 | 7.44 |
| Warehouse and delivery expense | 4.19 | 3.84 | 4.07 | 3.60 |
| Administrative and general expense | 8.90 | 9.32 | 9.92 | 9.34 |
| Total operating expenses | 19.95 | 20.47 | 21.17 | 20.38 |
| Net operating profit | 5.23 | 4.82 | 4.70 | 4.93 |

CHART I.

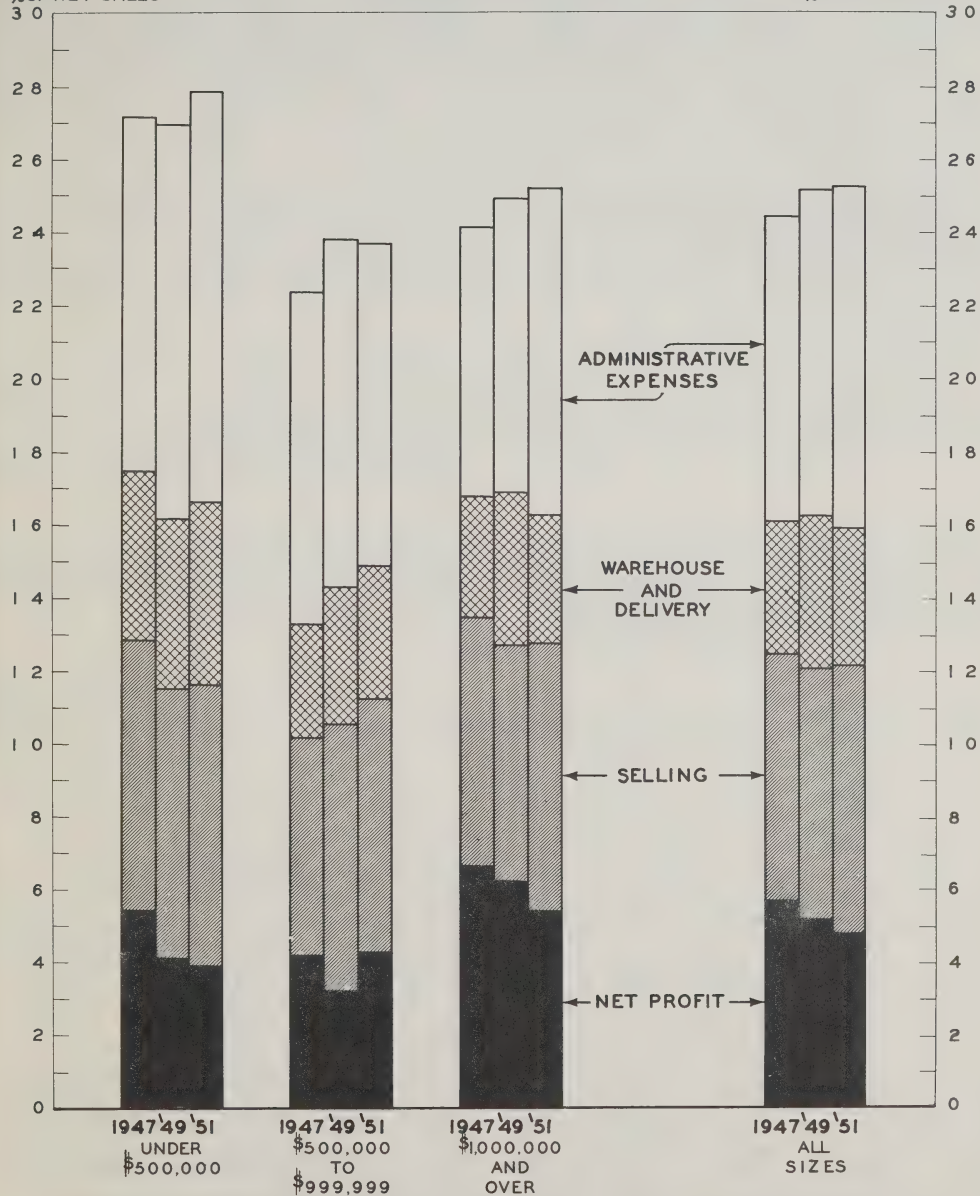
OPERATING RESULTS OF WHOLESALESAERS OF AUTOMOTIVE PARTS AND ACCESSORIES

GROSS PROFIT=NET PROFIT+SELLING+WAREHOUSE AND DELIVERY+ADMINISTRATIVE EXPENSES

1947-1949-1951

% OF NET SALES

% OF NET SALES



HARDWARE WHOLESALERS

Description of Reporting Firms

| Item | Firms with 1951 sales of | | | | Total all sizes |
|--|--------------------------|------------------------------|----------------------------------|-------------------------|-----------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 to \$4,999,999 | \$5,000,000 and over | |
| Number of firms | 9 | 11 | 25 | 9 | 54 |
| Form of organization: | | | | | |
| Individual proprietorship | 2 | 2 | — | — | 4 |
| Partnership | 2 | 1 | — | — | 3 |
| Incorporated company | 5 | 8 | 25 | 9 | 47 |
| Number of firms operated as: | | | | | |
| Single establishment | 9 | 11 | 16 | 4 | 40 |
| Multiple establishment | — | — | 9 | 5 | 14 |
| Distribution of sales: | | | | | |
| To retailers % | 80.85 | 45.80 | 58.69 | 66.01 | 63.09 |
| To other wholesalers and industries... % | 19.15 | 27.68 | 32.62 | 31.98 | 31.81 |
| To contractors | — | 26.52 | 8.69 | 2.01 | 5.10 |

Of the 54 firms reporting, 47 were incorporated, and the remaining seven were comprised of four individual proprietorships and three partnerships. Fourteen were operated as multiple establishment firms, whereas the remaining forty firms each re-

ported results for one establishment only. Sales to retail stores made up 63% of total sales; the remaining 37% was comprised of sales to other wholesalers and industries, and contractors, accounting for 32% and five per cent respectively.

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained un-

changed, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Hardware wholesalers obtained an average gross profit or margin of 20.49 per cent of average net sales on 1951 operations, slightly greater than the 1949 ratio of 19.26%. Gross profit ratios of the four typical sales size categories ranged from 19.98% to 22.29%, in the third and second categories respectively. Total operating expenses averaged 13.76% of average net sales of all respondents, slightly below the 1949 figure. In this instance, the ratios of the four categories showed a greater range, from 13.52% to 17.55% in the largest and smallest sales size groups respectively. Administrative and general

expense accounted for slightly more than half, and selling expense for less than a third of total expense for less than a third of total expense. Warehouse and delivery expense accounted for the comparatively small remaining portion. Net operating profit ratios varied directly with the sales size categories, with a range from 4.14% to 7.05% and averaged 6.73%. Miscellaneous expense and income netted a slight increase to each category except the last, resulting in a ratio of net profit before income deduction of 6.77% for all respondents.

Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, increased from 19.94% at the beginning of the year to 21.29% at the end of the year. This trend was common to all four sales size categories as well as the 1949 survey results.

The rate of stock turnover—average of beginning and ending inventories divided into average cost of goods sold—was 3.86 for all hardware wholesalers, slightly lower than the 1949 ratio of 4.4.

Credit Sales and Receivables

Credit sales, expressed as a proportion of net sales, was 96.18% for all hardware wholesalers in 1951, an increase over the 1949 ratio of 93.10%. Accounts outstanding as at December 31, 1951,

averaged 11.12% of average credit sales. This proportion also exceeded the corresponding 1949 ratio of 10.98%.

TABLE 6. Operating Results of Hardware Wholesalers, 1951, By Size of Firm

| Item | Firms with 1951 sales of | | | | Total, all sizes |
|---|--------------------------|---------------------------|-------------------------------|-------------------------|------------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 to \$4,999,999 | \$5,000,000 and over | |
| Number of firms reporting..... | 9 | 11 | 25 | 9 | 54 |
| Average net sales per firm..... \$ | 254,287 | 721,977 | 2,061,369 | 12,280,744 | 3,190,578 |
| Average cost of goods sold..... \$ | 199,138 | 561,042 | 1,649,537 | 9,754,526 | 2,536,905 |
| Stock turnover (times per year)..... | 2.65 | 3.63 | 4.24 | 3.75 | 3.86 |
| Average beginning inventory..... \$ | 70,463 | 142,707 | 362,816 | 2,564,809 | 636,253 |
| Per cent of average net sales..... | 27.71 | 19.77 | 17.60 | 20.88 | 19.94 |
| Average ending inventory..... \$ | 79,861 | 166,101 | 415,416 | 2,639,975 | 679,463 |
| Per cent of average net sales..... | 31.41 | 23.01 | 20.15 | 21.50 | 21.29 |
| Profit and Loss Data | | | | | |
| (Per cent of net sales) | | | | | |
| Gross profit | 21.69 | 22.29 | 19.98 | 20.57 | 20.49 |
| Operating expenses: | | | | | |
| Selling expense: | | | | | |
| Salaries..... | 4.16 | 4.99 | 2.65 | 2.21 | 2.50 |
| Travelling..... | 1.29 | 0.54 | 0.79 | 0.81 | 0.80 |
| Advertising..... | 0.39 | 0.31 | 0.26 | 0.44 | 0.38 |
| Other selling expense..... | 0.07 | 0.10 | 0.30 | 0.36 | 0.32 |
| Total selling expense | 5.91 | 5.94 | 4.00 | 3.82 | 4.00 |
| Warehouse and delivery expense: | | | | | |
| Salaries and wages..... | 1.79 | 1.54 | 2.15 | 2.43 | 2.30 |
| Maintenance of delivery equipment..... | 0.24 | 0.41 | 0.39 | 0.17 | 0.25 |
| Outward freight..... | 0.20 | 0.14 | 0.13 | 0.10 | 0.11 |
| Warehouse supplies..... | 0.13 | 0.04 | 0.08 | 0.08 | 0.08 |
| Other warehouse and delivery expense..... | 0.01 | 0.04 | 0.06 | 0.07 | 0.06 |
| Total warehouse and delivery expense | 2.37 | 2.17 | 2.81 | 2.85 | 2.80 |

TABLE 6. Operating Results of Hardware Wholesalers, 1951, By Size of Firm - Concluded

| Item | Firms with 1951 sales of | | | | Total, all sizes |
|---|--------------------------|---------------------------|-------------------------------|-------------------------|------------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 to \$4,999,999 | \$5,000,000 and over | |
| Operating Expenses — Concluded: | | | | | |
| Administrative and general expense: | | | | | |
| Salaries..... | 4.71 | 4.79 | 3.51 | 3.33 | 3.47 |
| Employees' benefits | 0.42 | 0.13 | 0.38 | 0.52 | 0.46 |
| Occupancy | 1.04 | 1.10 | 1.02 | 1.04 | 1.03 |
| Light, heat, and power | 0.27 | 0.12 | 0.16 | 0.10 | 0.12 |
| Taxes ¹ | 0.13 | 0.10 | 0.07 | 0.07 | 0.08 |
| Insurance ¹ | 0.33 | 0.27 | 0.14 | 0.08 | 0.11 |
| Office supplies | 0.44 | 0.27 | 0.26 | 0.28 | 0.28 |
| Communication | 0.28 | 0.30 | 0.33 | 0.27 | 0.29 |
| Bad debts - amount written off | 0.45 | 0.38 | 0.20 | 0.19 | 0.20 |
| All other expense | 1.20 | 0.76 | 0.82 | 0.97 | 0.92 |
| Total administrative and general expense | 9.27 | 8.22 | 6.89 | 6.85 | 6.96 |
| Total operating expenses | 17.55 | 16.33 | 13.70 | 13.52 | 13.76 |
| Net operating profit | 4.14 | 5.96 | 6.28 | 7.05 | 6.73 |
| Other trading income | 0.86 | 0.62 | 0.48 | 0.33 | 0.40 |
| Miscellaneous expense | 0.38 | 0.21 | 0.31 | 0.39 | 0.36 |
| Net profit before income tax deduction | 4.62 | 6.37 | 6.45 | 6.99 | 6.77 |
| Miscellaneous Data | | | | | |
| Credit sales: | | | | | |
| Average per firm | \$ 213,220 | 641,622 | 1,948,612 | 12,001,982 | 3,068,700 |
| Per cent of average net sales | 83.85 | 88.87 | 94.53 | 97.73 | 96.18 |
| Accounts outstanding: | | | | | |
| Average per firm | \$ 29,211 | 97,270 | 224,480 | 1,241,005 | 341,239 |
| Per cent of average credit sales | 13.70 | 15.16 | 12.18 | 10.34 | 11.12 |
| Sales per 1,000 sq. ft. of floor space | \$ 28,090 | 26,119 | 37,760 | 51,336 | 45,898 |

1. Excludes amount attributed to real estate which is in occupancy expense.

Regional Results

Gross trading profit ratios of hardware wholesalers in the four major regions of Canada ranged from 19.89% in Ontario to 21.21% in the Prairie Provinces. Ontario hardware wholesalers also showed the lowest operating expense ratio of 13.03%

of net sales; British Columbia wholesalers ranked highest with a ratio of 14.71%. The highest and lowest net operating profit ratios were obtained in the Prairie Provinces and British Columbia wholesalers who averaged 7.25% and 5.93%, respectively.

TABLE 7. Operating Results of Hardware Wholesalers, 1951, by Regions

| Item | Maritimes and Quebec | Ontario | Prairie Provinces | British Columbia | Canada |
|--|-------------------------|--------------|----------------------|---------------------|--------------|
| Number of firms | 19 | 18 | 11 | 6 | 54 |
| Average net sales per firm | \$ 1,854,028 | 3,086,925 | 5,855,528 | 2,848,228 | 3,190,580 |
| Profit and Loss Data (Per cent of net sales) | | | | | |
| Gross profit | 20.04 | 19.89 | 21.21 | 20.64 | 20.49 |
| Operating expenses: | | | | | |
| Selling expense | 4.59 | 3.37 | 4.15 | 4.24 | 4.00 |
| Warehouse and delivery expense | 2.27 | 3.12 | 2.78 | 2.93 | 2.80 |
| Administrative and general expense | 7.20 | 6.54 | 7.03 | 7.54 | 6.96 |
| Total operating expenses | 14.06 | 13.03 | 13.96 | 14.71 | 13.76 |
| Net operating profit | 5.98 | 6.86 | 7.25 | 5.93 | 6.73 |

Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary

considerably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 8. Average and Middle Range Ratios of Hardware Wholesalers, 1951

| Item | Firms with 1951 sales of | | Total, all sizes | |
|--|-------------------------------|--------------|------------------------|--------------|
| | \$1,000,000 to \$4,999,999 | | | |
| | Average | Middle range | Average | Middle range |
| Gross profit..... | 20.0 | 18.8—21.4 | 20.5 | 19.4—22.1 |
| Selling expense | 4.0 | 2.7— 5.4 | 4.0 | 3.1— 6.1 |
| Warehouse and delivery expense | 2.8 | 2.0— 3.5 | 2.8 | 2.0— 3.3 |
| Administrative and general expense | 6.9 | 5.9— 8.3 | 7.0 | 6.0— 8.9 |
| Net operating profit | 6.3 | 4.6— 7.8 | 6.7 | 3.8— 7.8 |

Incorporated Companies 1951

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the difference in the ratios were negligible. Net profit before income tax, expressed as a portion

of net sales, was 6.82% and 6.77% for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms profit ratio to 3.38%, a decrease of approximately 50%.

TABLE 9. Operating Results of Incorporated Hardware Wholesalers, 1951, By Size of Firm

| Item | Firms with 1951 sales of | | | | Total, all sizes |
|--|--------------------------|------------------------------|----------------------------------|-------------------------|------------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 to \$4,999,999 | \$5,000,000 and over | |
| | (Per cent of net sales) | | | | |
| Gross profit..... | 20.87 | 22.55 | 19.98 | 20.57 | 20.46 |
| Operating expenses | 16.72 | 15.77 | 13.70 | 13.52 | 13.68 |
| Net operating profit | 4.15 | 6.78 | 6.28 | 7.05 | 6.78 |
| Other trading income | 1.21 | 0.69 | 0.48 | 0.33 | 0.40 |
| Miscellaneous expense | 0.42 | 0.14 | 0.31 | 0.39 | 0.36 |
| Net profit before income tax deduction | 4.94 | 7.33 | 6.45 | 6.99 | 6.82 |
| Income tax | 1.71 | 3.30 | 3.14 | 3.61 | 3.44 |
| Final net profit..... | 3.23 | 4.03 | 3.31 | 3.38 | 3.38 |

Comparison of 1949 and 1951 Identical Firm Results

The following table serves as confirmation that the trends and conclusions deduced from comparing

average data of all responding firms apply as had identical firm data been used.

TABLE 10. Operating Results of Hardware Wholesalers, 1949 and 1951 Compared

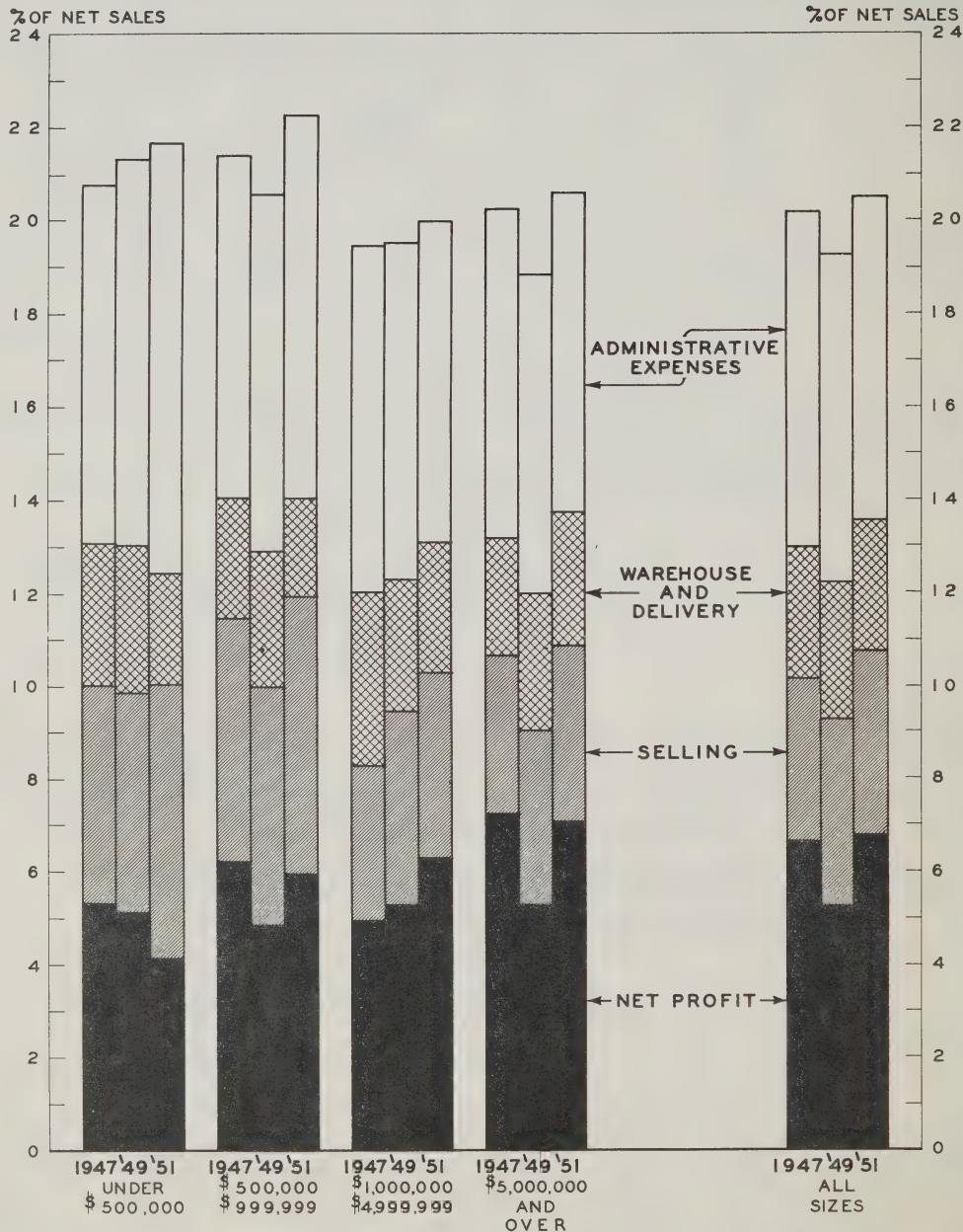
| Item | All Respondents | | Identical Firms | |
|--|-----------------|--------------|-----------------|--------------|
| | 1949 | 1951 | 1949 | 1951 |
| Number of firms | 57 | 54 | 52 | 52 |
| Average net sales per firm \$ | 2,323,346 | 3,190,580 | 2,476,934 | 3,247,035 |
| (Per cent of net sales) | | | | |
| Gross profit | 19.26 | 20.49 | 19.25 | 20.48 |
| Operating expenses: | | | | |
| Selling expense | 4.01 | 4.00 | 4.03 | 3.99 |
| Warehouse and delivery expense | 2.95 | 2.80 | 2.95 | 2.77 |
| Administrative and general expense | 7.06 | 6.96 | 7.11 | 6.92 |
| Total operating expenses | 14.02 | 13.76 | 14.09 | 13.68 |
| Net operating profit | 5.24 | 6.73 | 5.16 | 6.80 |

CHART 2.

OPERATING RESULTS OF HARDWARE WHOLESALERS

GROSS PROFIT=NET PROFIT+SELLING+WAREHOUSE AND DELIVERY+ ADMINISTRATIVE EXPENSES

1947-1949-1951



PLUMBING AND HEATING SUPPLIES WHOLESALERS

Description of Reporting Firms

| Item | Firms with 1951 sales of | | | Total all sizes |
|--|--------------------------|------------------------------|-------------------------|-----------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| Number of firms..... | 9 | 8 | 21 | 38 |
| Form of organization: | | | | |
| Individual proprietorship | 1 | — | — | 1 |
| Partnership | — | — | — | — |
| Incorporated company | 8 | 8 | 21 | 37 |
| Number of firms operated as: | | | | |
| Single establishment | 9 | 7 | 17 | 33 |
| Multiple establishment | — | 1 | 4 | 5 |
| Distribution of sales: | | | | |
| to contractors | 91.00 | 94.39 | 78.32 | 80.07 |
| to other wholesalers and large users | 4.53 | 5.61 | 19.84 | 18.14 |
| to consumers at retail | 4.47 | — | 1.84 | 1.79 |

Of the 38 firms reporting, all were incorporated companies with the exception of one individual proprietorship. Only five operated more than one establishment. The sales distribution ratios indicate that approximately 80% of total sales were made to contractors. Those wholesalers in the

smaller sales size categories sold more than the average proportion to contractors. The remaining 20% was sold almost entirely to other wholesalers and large users, and the remaining small portion to consumers at retail.

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales

size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Wholesalers of plumbing and heating supplies obtained an average gross profit ratio or margin of 17.78 per cent of average net sales. Gross profit ratios for the three typical sales size categories ranged from 17.63% to 19.32% in the largest and smallest categories respectively. In each of the three functional divisions of expense, the largest and smallest respective ratios occurred in the first and middle sales size categories respectively. Administrative and general expense accounted for greater than half of the total expense which averaged 11.97% for all respondents. Selling expense and warehouse and delivery expense averaged 2.98% and 2.43% respectively. Miscellaneous expense and income netted an increase to the net operating profit ratio of 5.81% resulting in a ratio of net profit before income tax of 6.52%.

Inventories and Stock Turnover

Average inventories, expressed as a percentage of average net sales, increased from 11.14% at the beginning of the year, to 13.16% at the end of the year. This trend was common to each of the three sales size categories. The rate of stock turnover—

average of beginning and ending inventories divided into cost of goods sold—was 6.77 for all responding wholesalers of plumbing and heating supplies, a rate of the same order as determined from the 1949 survey.

Credit Sales and Receivables

Credit sales, expressed as a proportion of net sales, was 93.73% for all wholesalers of plumbing and heating supplies, a negligible decline from the 1949 rate. Accounts outstanding as at December

31, 1951, were 11.84% of credit sales. The range of this ratio for the sales size categories was from 10.41% to 12.10% in the first and middle categories respectively.

TABLE 11. Operating Results of Wholesalers of Plumbing and Heating Supplies, 1951, By Size of Firm

| Item | Firms with 1951 sales of | | | Total, all sizes |
|---|--------------------------|---------------------------|-------------------------|------------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| Number of firms reporting | 9 | 8 | 21 | 38 |
| Average net sales per firm | \$ 267,534 | 637,615 | 2,934,045 | 1,829,566 |
| Average cost of goods sold | \$ 215,835 | 558,831 | 2,416,662 | 1,504,287 |
| Stock turnover (times per year) | 4.30 | 4.82 | 7.18 | 6.77 |
| Average beginning inventory | \$ 47,285 | 99,334 | 310,798 | 203,868 |
| Per cent of average net sales | 17.67 | 14.45 | 10.59 | 11.14 |
| Average ending inventory | \$ 53,210 | 132,456 | 332,443 | 240,785 |
| Per cent of average net sales | 19.89 | 19.26 | 12.35 | 13.16 |
| Profit and Loss Data | | | | |
| (Per cent of net sales) | | | | |
| Gross profit | 19.32 | 18.73 | 17.63 | 17.78 |
| Operating expenses: | | | | |
| Selling expense: | | | | |
| Salaries | 2.69 | 1.91 | 1.82 | 1.85 |
| Travelling | 0.54 | 0.54 | 0.54 | 0.54 |
| Advertising | 0.49 | 0.11 | 0.23 | 0.23 |
| Other selling expense | 0.68 | 0.25 | 0.35 | 0.35 |
| Total selling expense | 4.40 | 2.81 | 2.94 | 2.98 |
| Warehouse and delivery expense: | | | | |
| Salaries and wages | 1.82 | 1.43 | 1.74 | 1.72 |
| Maintenance of delivery equipment | 0.39 | 0.43 | 0.27 | 0.29 |
| Outward freight | 0.21 | 0.37 | 0.27 | 0.27 |
| Warehouse supplies | 0.04 | 0.21 | 0.09 | 0.10 |
| Other warehouse and delivery expense | 0.16 | 0.10 | 0.04 | 0.05 |
| Total warehouse and delivery expense | 2.62 | 2.54 | 2.41 | 2.43 |
| Administrative and general expense: | | | | |
| Salaries | 5.15 | 3.68 | 3.40 | 3.48 |
| Employees' benefits | 0.08 | 0.10 | 0.18 | 0.17 |
| Occupancy | 1.77 | 0.66 | 0.75 | 0.78 |
| Light, heat, and power | 0.12 | 0.10 | 0.13 | 0.13 |
| Taxes | 0.11 | 0.03 | 0.05 | 0.05 |
| Insurance | 0.30 | 0.08 | 0.08 | 0.09 |
| Office supplies | 0.32 | 0.28 | 0.22 | 0.23 |
| Communication | 0.24 | 0.20 | 0.27 | 0.26 |
| Bad debts - amount written off | 0.56 | 0.37 | 0.52 | 0.51 |
| All other expense | 0.93 | 0.72 | 0.87 | 0.86 |
| Total administrative and general expense | 9.58 | 6.22 | 6.47 | 6.56 |
| Total operating expenses | 16.60 | 11.57 | 11.82 | 11.97 |
| Net operating profit | 2.72 | 7.16 | 5.81 | 5.81 |
| Other trading income | 0.38 | 0.97 | 0.81 | 0.81 |
| Miscellaneous expense | 0.08 | 0.38 | 0.07 | 0.10 |
| Net profit before income tax deduction | 3.02 | 7.75 | 6.55 | 6.52 |

1. Excludes amount attributed to real estate which is in occupancy expense.

TABLE 11. Operating Results of Wholesalers of Plumbing and Heating Supplies, 1951, By Size of Firm — Con.

| Item | Firms with 1951 sales of | | | Total, all sizes |
|--|--------------------------|---------------------------|-------------------------|------------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| Miscellaneous Data | | | | |
| Credit sales: | | | | |
| Average per firm | \$ 226,521 | 666,161 | 2,752,428 | 1,714,852 |
| Per cent of average net sales | 84.67 | 96.88 | 93.81 | 93.73 |
| Accounts outstanding: | | | | |
| Average per firm | \$ 23,581 | 80,605 | 326,713 | 203,038 |
| Percent of average credit sales | 10.41 | 12.10 | 11.87 | 11.84 |
| Sales per 1,000 sq. ft. of floor space | \$ 25,950 | 77,160 | 48,883 | 48,704 |

1. Excludes amount attributed to real estate which is in occupancy expense.

Regional Results

Gross trading profit ratios of plumbing and heating supplies wholesalers in three regional divisions of Canada, ranged from 16.65% in the Maritimes and Quebec to 19.35% in Ontario. The Ontario wholesalers also showed the highest operating expense ratio of 13.30% and netted an operating

profit ratio of 6.05%, slightly above the Canada average. Wholesalers in the Prairie Provinces and British Columbia showed the smallest operating expense ratio of 11.07% which assisted in their obtaining the largest ratio of net operating profit ratio of 7.35%.

TABLE 12. Operating Results of Wholesalers of Plumbing and Heating Supplies, 1951, by Regions

| Item | Maritimes and Quebec | Ontario | Prairies and British Columbia | Canada |
|--|----------------------------|--------------|----------------------------------|--------------|
| Number of firms | 11 | 16 | 11 | 38 |
| Average net sales per firm | \$ 3,127,879 | 1,097,150 | 1,596,607 | 1,829,566 |
| Profit and Loss Data | | | | |
| (Per cent of net sales) | | | | |
| Gross profit | 16.65 | 19.35 | 18.42 | 17.78 |
| Operating expenses: | | | | |
| Selling expense | 3.04 | 3.24 | 2.62 | 2.98 |
| Warehouse and delivery expense | 1.96 | 3.55 | 2.22 | 2.43 |
| Administrative and general expense | 6.75 | 6.51 | 6.23 | 6.56 |
| Total operating expenses | 11.75 | 13.30 | 11.07 | 11.97 |
| Net operating profit | 4.90 | 6.05 | 7.35 | 5.81 |

Range Figures

The range figures, introduced in 1949, indicate to what extent the average is typical for each sales size category. This allows an individual wholesaler to assess the operations of his business with the average more accurately. That is, if the ratios of a specific item for a group of wholesalers vary con-

siderably, the range figures indicate the wide spread necessary to contain the middle 50% of the firms; conversely, if the ratios tend to be clustered, the range figures would indicate the middle 50% of the firms grouped closely about the average.

TABLE 13. Average and Middle Range Ratios of Wholesalers of Plumbing and Heating Supplies, 1951

| Item | Firms with 1951 sales of | | Total all sizes | |
|--|--------------------------|--------------|-----------------------|--------------|
| | \$1,000,000 and over | | | |
| | Average | Middle Range | Average | Middle Range |
| | (Per cent of net sales) | | | |
| Gross profit | 17.6 | 15.3-20.7 | 17.8 | 16.0-21.3 |
| Selling expense | 2.9 | 2.1- 3.2 | 3.0 | 2.1- 4.0 |
| Warehouse and delivery expense | 2.4 | 1.7- 3.4 | 2.4 | 1.7- 3.4 |
| Administrative and general expense | 6.5 | 5.1- 8.4 | 6.6 | 5.2- 9.0 |
| Net operating profit | 5.8 | 3.1- 7.8 | 5.8 | 2.2- 7.9 |

Incorporated Companies 1951

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in ratios were negligible. This condition was to be expected because nearly all

reporting firms were incorporated. Net profit before income tax provision was 6.53% of net sales for incorporated firms. Income tax reduced this ratio to 3.42%, a decrease of 48%.

TABLE 14. Operating Results of Incorporated Wholesalers of Plumbing and Heating Supplies, 1951

| Item | Firms with 1951 sales of | | | Total all sizes |
|--|--------------------------|---------------------------|-------------------------|-----------------------|
| | Under \$500,000 | \$500,000 to \$999,999 | \$1,000,000 and over | |
| | (Per cent of net sales) | | | |
| Gross profit | 19.41 | 18.73 | 17.63 | 17.77 |
| Operating expenses | 16.85 | 11.57 | 11.82 | 11.96 |
| Net operating profit | 2.56 | 7.16 | 5.81 | 5.81 |
| Other trading income | 0.37 | 0.97 | 0.81 | 0.82 |
| Miscellaneous expense | 0.09 | 0.38 | 0.07 | 0.10 |
| Net profit before income tax deduction | 2.84 | 7.75 | 6.55 | 6.53 |
| Income tax | 1.31 | 3.48 | 3.13 | 3.11 |
| Final net profit | 1.53 | 4.27 | 3.42 | 3.42 |

Comparison of 1949 and 1951 Identical Firm Results

The 1949 results of all respondents included returns from more multiple establishment firms than were included in the 1951 survey results. Consequently, the average net sales per firm for 1949 exceeds the 1951 average. The actual relationship is revealed in the identical firm portion of the following table which shows an increase in average net sales per firm from 1949 to 1951. This decrease of average net sales normally would tend to overemphasize increases and diminish declines in operating ratios.

However, in this instance, the operating ratios of the additional firms included in the 1949 survey were above average which resulted in accentuated declines in some 1951 ratios. Gross and net profit ratios of all respondents showed a greater decline in 1951 than the decline disclosed by comparison of identical firm results. Relationship of 1949 and 1951 expense ratios were normal considering the variations of average net sales.

TABLE 15. Operating Results of Wholesalers of Plumbing and Heating Supplies, 1949 and 1951 Compared

| Item | All respondents | | Identical firms | |
|--|-------------------------|------------|-----------------|------------|
| | 1949 | 1951 | 1949 | 1951 |
| Number of firms..... | 42 | 38 | 37 | 37 |
| Average net sales per firm..... \$ | 2, 194,036 | 1, 829,566 | 1, 522,405 | 1, 863,267 |
| | (Per cent of net sales) | | | |
| Gross profit | 19.07 | 17.78 | 18.38 | 17.84 |
| Operating expenses: | | | | |
| Selling expense..... | 2.55 | 2.98 | 3.00 | 2.97 |
| Warehouse and delivery expense | 2.38 | 2.43 | 2.60 | 2.44 |
| Administrative and general expense | 6.97 | 6.56 | 6.80 | 6.58 |
| Total operating expenses | 11.90 | 11.97 | 12.40 | 11.99 |
| Net operating profit | 7.17 | 5.81 | 5.98 | 5.85 |

CHART 3.

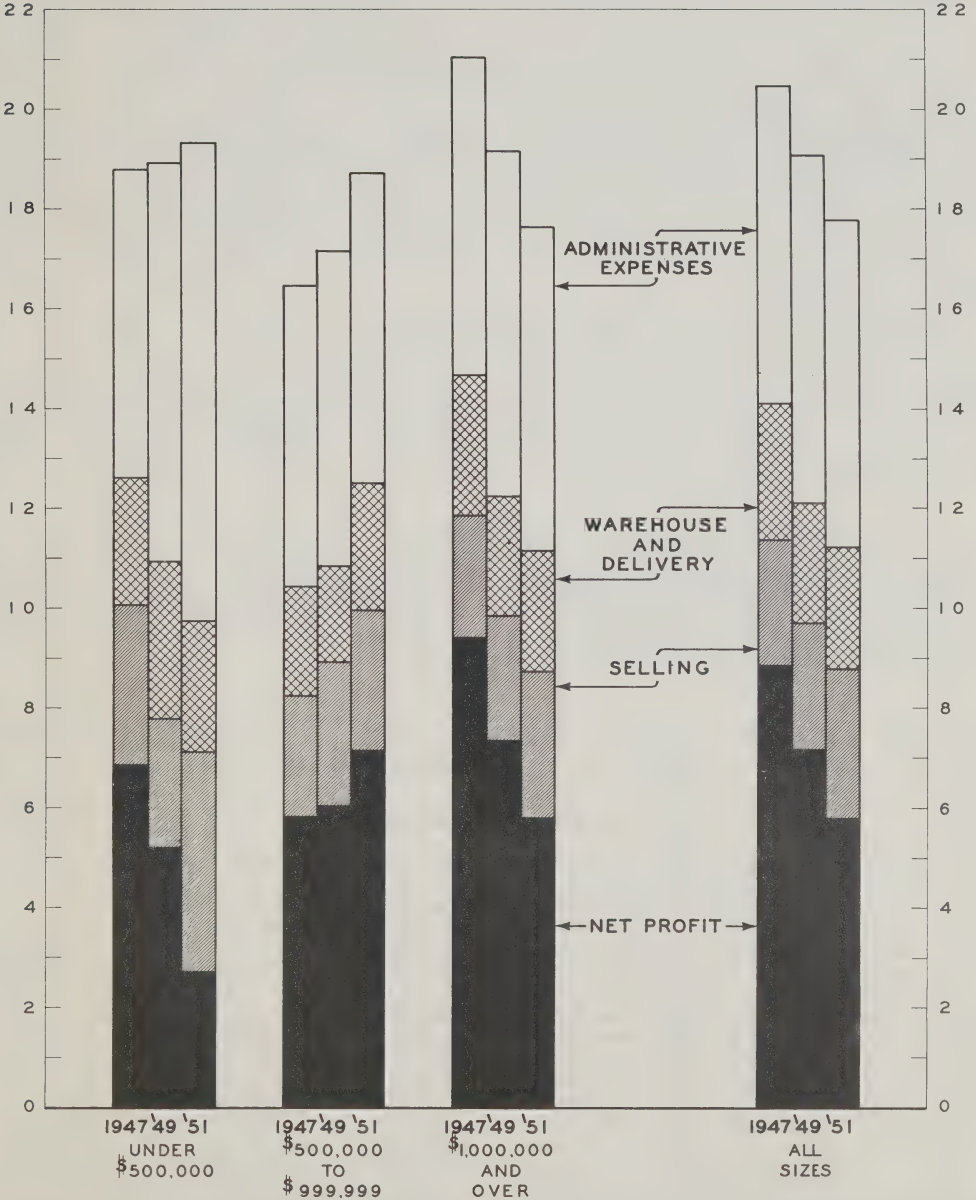
OPERATING RESULTS OF WHOLESALERS OF HEATING AND PLUMBING SUPPLIES

GROSS PROFIT=NET PROFIT+SELLING+ WAREHOUSE AND DELIVERY+ ADMINISTRATIVE EXPENSES

% OF NET SALES

1947-1949-1951

% OF NET SALES



DRUG WHOLESALERS

Description of Reporting Firms

| Item | Firms with 1951 sales of | | Total all sizes |
|---|--------------------------|-------------------------|-----------------------|
| | Under \$1,000,000 | \$1,000,000 and over | |
| Number of firms | 4 | 12 | 16 |
| Form of organization: | | | |
| Individual proprietorship..... | — | — | — |
| Partnership | — | — | — |
| Incorporated company | 4 | 12 | 16 |
| Number of firms operated as: | | | |
| Single establishment | 4 | 8 | 12 |
| Multiple establishment | — | 4 | 4 |
| Distribution of sales: | | | |
| To retailers..... % | 88.04 | 91.61 | 91.46 |
| To other wholesalers and large users..... % | 11.96 | 8.39 | 8.54 |

All of the 16 firms reporting were incorporated, 12 of which were within the larger sales size category. Four of these 12 firms operated more than one establishment. Those firms in the second or larger category sold 91.6% to retailers and the remaining

8.4% to other wholesalers or large users. The four single establishment firms in the first category sold a smaller proportion, 88.0%, to retailers and a larger percentage, 12.0%, to other wholesalers and large users.

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales dollar. Because average profit and expense figures per firm are expressed as percentages of average net sales per firm, it is necessary to take into account the rate of change of these average net sales when comparing ratios applicable to different surveys. When comparing 1951 results with 1949, a period of increasing prices, the increase of average net sales per firm has a decreasing effect on profit and expense ratios. If a decrease occurs in the profit or expense ratios, it does not necessarily mean the amount of profit or expense is less; but does mean the average profit or expense did not increase at as great a rate as average net sales. That is, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratios for the two years would be identical.

However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. To interpret a change in ratios between two years correctly, it is therefore necessary to note changes in net sales. During this phase of analysis the utmost caution should be taken to avoid interpreting the average net sales per firm as typical of an establishment. Averages are shown only to indicate central tendency in sales size ranges as a guide to individual wholesalers wishing to compare their results. Ratios reduce the effect of multiple establishment firms and may be used with a high degree of accuracy as typical of the trade. The effects of normal sales variations and changes in price levels also tend to be eliminated when results are expressed as ratios. Therefore, ratios of two surveys may be compared, but the rate of change of average net sales per firm should be noted.

Drug wholesalers in the first typical sales size category operated on an average gross trading profit or margin of 14.35% of average net sales; a slightly higher proportion than was obtained by the firms of the larger category. However, the first group averaged a higher ratio in each of the three functional divisions of operating expenses. Consequently, the

firms of the second group averaged a net operating profit ratio of 2.56% as opposed to the first group's ratio of 0.54%. Each group of firms netted an increase after allowance for miscellaneous expense and income which resulted in net profit ratios before income tax deductions of 0.91% and 3.68% for the smaller and larger categories respectively.

Inventories and Stock Turnover

Average inventories, expressed as ratios of average net sales of all drug wholesalers, declined slightly from 15.72% at the beginning of the year to 15.21% at the end of the year. Although the difference is slight, it is significant in that it is a reverse in trend from the 1949 survey results. This trend was common to the ratios of both sales size

categories. The rate of stock turnover—average of beginning and ending inventories divided into cost of goods sold—amounted to 5.60, a ratio of the same order as occurred in 1949. The smaller sales size category continued to show the higher stock turnover rate.

Credit Sales and Receivables

Credit sales, expressed as a percentage of net sales, was 97.27% for all drug wholesalers, an increase from the 1949 proportion of 92.88%. The increase occurred in both sales size categories.

Accounts outstanding as at December 31, 1951, averaged 8.21% of credit sales for all wholesalers, and also showed an increase from 1949 in both sales size groups.

TABLE 16. Operating Results of Drug Wholesalers, 1951, By Size of Firm

| Item | Firms with 1951 sales of | | Total all sizes |
|--|--------------------------|-------------------------|-----------------------|
| | Under \$1,000,000 | \$1,000,000 and over | |
| Number of firms reporting..... | 4 | 12 | 16 |
| Average net sales per firm..... \$ | 514, 118 | 3, 758, 423 | 2, 947, 348 |
| Average cost of goods sold..... \$ | 440, 346 | 3, 255, 358 | 2, 551, 606 |
| Stock turnover (times per year)..... | 6.22 | 5.57 | 5.60 |
| Average beginning inventory..... \$ | 71, 215 | 594, 177 | 463, 437 |
| Per cent of average net sales..... | 13.85 | 15.81 | 15.72 |
| Average ending inventory..... \$ | 70, 288 | 574, 528 | 448, 468 |
| Per cent of average net sales..... | 13.67 | 15.29 | 15.21 |
| Profit and Loss Data (Per cent of net sales) | | | |
| Gross profit | 14.35 | 13.38 | 13.43 |
| Operating expenses: | | | |
| Selling expense: | | | |
| Salaries..... | 2.76 | 1.33 | 1.39 |
| Travelling..... | 1.04 | 0.44 | 0.47 |
| Advertising..... | 0.09 | 0.21 | 0.20 |
| Other selling expense..... | 0.06 | 0.12 | 0.12 |
| Total selling expense | 3.95 | 2.10 | 2.18 |
| Warehouse and delivery expense: | | | |
| Salaries and wages..... | 1.69 | 2.06 | 2.04 |
| Maintenance of delivery equipment..... | 0.16 | 0.37 | 0.36 |
| Outward freight..... | 0.92 | 0.10 | 0.14 |
| Warehouse supplies..... | 0.10 | 0.10 | 0.10 |
| Other warehouse and delivery expense..... | 0.53 | 0.02 | 0.04 |
| Total warehouse and delivery expense | 3.40 | 2.65 | 2.68 |

TABLE 16. Operating Results of Drug Wholesalers, 1951, By Size of Firm — Concluded

| Item | Firms with 1951 sales of | | Total all sizes |
|---|--------------------------|-------------------------|-----------------------|
| | Under \$1,000,000 | \$1,000,000 and over | |
| Operating expenses — Concluded: | | | |
| Administrative and general expense: | | | |
| Salaries..... | 3.28 | 3.28 | 3.28 |
| Employees' benefits..... | 0.08 | 0.45 | 0.44 |
| Occupancy..... | 1.06 | 0.73 | 0.74 |
| Light, heat, and power..... | 0.06 | 0.11 | 0.11 |
| Taxes ¹ | 0.13 | 0.08 | 0.08 |
| Insurance ¹ | 0.19 | 0.12 | 0.12 |
| Office supplies..... | 0.08 | 0.21 | 0.21 |
| Communication..... | 0.16 | 0.28 | 0.28 |
| Bad debts—amount written off..... | 0.42 | 0.13 | 0.14 |
| All other expense..... | 1.00 | 0.68 | 0.69 |
| Total administrative and general expense..... | 6.46 | 6.07 | 6.09 |
| Total operating expenses..... | 13.81 | 10.82 | 10.95 |
| Net operating profit..... | 0.54 | 2.56 | 2.48 |
| Other trading income..... | 0.55 | 1.24 | 1.20 |
| Miscellaneous expense..... | 0.18 | 0.12 | 0.13 |
| Net profit before income tax deduction..... | 0.91 | 3.68 | 3.55 |
| Miscellaneous Data | | | |
| Credit sales: | | | |
| Average per firm..... | \$ 485,327 | 3,662,583 | 2,866,885 |
| Per cent of average net sales..... | 94.40 | 97.45 | 97.27 |
| Accounts outstanding: | | | |
| Average per firm..... | \$ 66,684 | 288,611 | 235,371 |
| Per cent of average credit sales..... | 13.74 | 7.88 | 8.21 |
| Sales per 1,000 sq. ft. of floor space..... | \$ 51,029 | 80,072 | 77,516 |

1. Excludes amount attributed to real estate which is in occupancy expense.

Comparison of 1949 and 1951 Identical Firm Results

The 1949 results of all respondents included a higher proportion of multiple establishment firms than the 1951 survey results. Consequently, because average sales were firm averages, the 1951 average was only 1.26% greater than the 1949 average net sales for all responding firms. However, the matching firm portion of the following table showed the 1951

average sales 30.47% greater. Because the average sales increase was of a smaller proportion for all reporting firms, the operating ratio increases appeared excessive. The result was a decrease shown in the 1951 net operating profit ratio. Actually an increase was experienced, as shown in the identical firm comparison section of the following table.

TABLE 17. Operating Results of Drug Wholesalers, 1949 and 1951 Compared

| Item | All respondents | | Identical firms | |
|---|-----------------|--------------|-----------------|--------------|
| | 1949 | 1951 | 1949 | 1951 |
| Number of firms | 12 | 16 | 12 | 12 |
| Average net sales per firm..... \$ | 2,910,772 | 2,947,348 | 2,910,772 | 3,797,778 |
| (Per cent of net sales) | | | | |
| Gross profit | 12.48 | 13.43 | 12.48 | 13.09 |
| Operating expenses: | | | | |
| Selling expense..... | 1.76 | 2.18 | 1.76 | 2.06 |
| Warehouse and delivery expense..... | 2.41 | 2.68 | 2.41 | 2.52 |
| Administrative and general expense..... | 5.74 | 6.09 | 5.74 | 5.77 |
| Total operating expenses | 9.91 | 10.95 | 9.91 | 10.35 |
| Net operating profit | 2.57 | 2.48 | 2.57 | 2.74 |

CHART 4.

OPERATING RESULTS OF DRUG WHOLESALERS

GROSS PROFIT=NET PROFIT+SELLING+WAREHOUSE AND DELIVERY + ADMINISTRATIVE EXPENSES

1947-1949-1951

